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Name of Agency Department of Human Services

Department Division of Medical Services

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08/03/2022

Contact Person

E-mail Address

Date

CERTIFICATION OF AUTHORIZED OFFICER

I Hereby Certify That The Attached Rules Were Adopted
In Compliance with the Arkansas Administrative Act. (ACA 25-15-201 et. seq.)

Elizabeth Pitman
Signature

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Director

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August 3, 2022

Date

DEPARTMENT OF HUMAN SERVICES

Medical Assistance Program Manual Of Cost Reimbursement Rules For Long Term Care Facilities

**(July 1, 1999)
(Last Revised 08/01/2022)**



Introduction

This manual is for use by providers, their accountants and the Department of Human Services in determining the allowable and reasonable cost of Long Term Care services furnished to Medicaid recipients. The manual contains procedures to be used by each provider in accounting for its operations and in reporting the cost of care and services to the Department of Human Services.

The Long Term Care Program is administered by the Division of Medical Services. The program herein adopted is in accordance with Federal Statute in the Social Security Act § 1902 (a) (13) (A) and Public Law 105-33. The applicable Federal Regulations begin at 42 Code of Federal Regulations § 430. Each Long Term Care Facility which has contractually agreed to participate in the Title XIX Program will adopt the procedures set forth in this manual and must file the required cost reports.

As interpretations and changes of this program are made, appropriate revisions of the manual will be furnished to each provider and interested party. Care should be taken to insure that revisions to the manual are promptly inserted.

Questions relating to this program or relating to the interpretation of any of the provisions included in this manual should be addressed to:

Department of Human Services
Division of Medical Services
P. O. Box 1437, Slot S535
Little Rock, AR 72203-1437

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Chapter 1 - Principles and Procedures

1-1 General Principles

All Long Term Care Facilities will be reimbursed according to the principles and procedures specified in these regulations. Allowable costs are those costs necessary and reasonable for performance of covered services required by Medicaid recipients.

A facility's direct and indirect allowable costs related to covered services will be considered in the findings and allocation of costs to the Medical Assistance Program for its eligible recipients. Total allowable, reasonable costs after removal of direct Medicare ancillary cost of a facility shall be apportioned on a per resident day basis between third-party payers and other residents so that the share borne by Medicaid under Title XIX is based upon actual services and costs related to Medical Assistance recipients.

Costs included in the per diem rate will be those necessary to be incurred by efficiently and economically operated facilities to comply with all requirements of participation in the Medicaid program.

1-2 Record Keeping

Providers are required to maintain adequate financial records and statistical data for proper determination of costs payable under the program. The cost report is to be based on financial and statistical records maintained by the facility. Cost information must be current, accurate and in sufficient detail to support costs set forth in the report. This includes all ledgers, books, records, and original evidence of cost (purchase requisitions for supplies, invoices, paid checks, inventories, time cards, payrolls, bases for apportioning costs, etc.) which pertain to the determination of reasonable costs. A provider must make available (within the state) all financial and statistical records to the Department or its representatives for the purpose of determining compliance with the provisions of this program. Providers who find it difficult to provide home office records at the audit or review site can at their option, reimburse the Department for all costs associated with the travel of Department employees or their representatives in accordance with state laws and rules for the reimbursement of travel for state employees.

The Financial and Statistical Report/Cost Report and Schedules sets forth information to be reported. The report must be prepared on the accrual basis of accounting in accordance with instructions for completion of the Cost Report. Government facilities have the option to use the cash basis of accounting for reporting.

All financial and statistical records, including cost reports, must be retained for a period of five years after submission to the Department.

1-3 Activities Not Related to Resident Care

If the provider conducts activities not related to resident care, additional accounts must be added to accommodate those activities.

1-4 Accrual and Cash Basis of Accounting

For non-governmental providers, the Financial and Statistical Report must be filed using information stated on the accrual method of accounting. The Chart of Accounts is designed to be used in a complete accrual accounting system.

Financial information stated on an accrual basis is essential to insure that the proper reimbursement is made to providers. The measurement of the cost of services performed must include all supplies, salaries, services and other expenses incurred, regardless of whether or not those items have been paid.

Many providers will find that the accounting for all transactions on a pure accrual basis may create undue workloads. Also, many providers account for their activities on a strict cash basis and they are satisfied with the management information produced from their existing system. Therefore, in lieu of accounting for all transactions on an accrual basis, the provider may maintain his records on a cash basis during the year and convert to an accrual basis at the beginning and end of the year for reporting purposes.

1-5 Chart of Accounts

The applicable Chart of Accounts shall be used by all Long Term Care Facilities participating in the Title XIX Program. Each Chart of Accounts provides for the basic classifications of all assets, liabilities, income and expense necessary for the preparation of the Cost Report. Providers may take some latitude in assigning account numbers but must maintain the basic Chart of Accounts.

1-6 Cost Reporting Requirements

All providers in operation under a valid Medicaid agreement for long term care services must file a Financial and Statistical Report (commonly referred to as a Cost Report or FSR). In addition to the annual reporting requirement nursing facilities will be required to submit a limited cost report containing direct care cost information for the period January 12, 2001 to June 30, 2001, in order that the direct care per diem can be rebased after this initial period. Nursing facilities that have been newly constructed or a newly enrolled provider that did not previously participate in Medicaid, will be required to prepare and submit a cost report for the period beginning their first day of operation through the end of the month which includes their sixth month of operation. This report is essential in establishing rates for a new provider. If the facility was not certified for Medicaid participation at date of first

opening or acquisition, then the reporting period shall begin at official certification date rather than the date of acquisition. Nursing Facilities that are newly purchased or leased shall submit a cost report for the period beginning with their first day of operation through the end the State Fiscal Year unless the cost reporting period would be less than three months of operation. Facilities that change ownership after April 1 of a State Fiscal Year would not submit a cost report from the date of initial operation to the end of the State Fiscal Year. Facilities changing ownership after April 1 of a State Fiscal Year will prepare and submit a cost report for the period beginning their first day of operation through the end of the month which includes their sixth month of operation.

A. When To File

Nursing facilities will report cost on a fiscal year ending June 30. Cost reports will be due within ninety (90) days after the end of the reporting period. Under sixteen (16) Bed ICF/IID providers will report cost on a calendar year basis. The cost report will be due within ninety (90) days of the end of the reporting period. The Arkansas Health Center Nursing Facility and the sixteen (16) bed and over ICF/IID providers will report cost semi-annually (January 1 - June 30) and (July 1 - December 31) with the cost reports being due within sixty (60) days of the end of the reporting period. Should the due date fall on a Saturday, Sunday, or State of Arkansas holiday or federal holiday, the due date shall be the following business day. Nursing Facility cost reports are to be electronically submitted through the LTC cost report web application on or before the applicable due date. ICF/IID reports are to be delivered, postmarked or electronically uploaded, to the web portal on or before the applicable due date.

Providers who fail to submit cost reports and other required schedules and information by the due date or extended due date have committed a Class D Violation of Arkansas Code 20-10-205. Civil penalties associated with failure to timely submit a cost report for Long Term Care Facilities are detailed in Section 1-11 of this Manual.

B. Extensions for Filing

If a written request for an extension is received by the Division of Medical Services in advance of the report due date and a written extension is granted, a penalty will not be applied, provided the extended due date is met. Each request for extension will be considered on its merit. No extension will be granted unless the facility provides written evidence of extenuating circumstances beyond its control, which causes a late report. In no instance will an extension be granted for more than thirty (30) days.

C. What to Submit

In addition to the applicable cost report forms, providers must submit the following:

1. Most recently completed Medicare Cost Report,
2. Working trial balance and related working papers identifying the cost report line each account is included on,
3. Detailed depreciation schedule,
4. Any work papers used to compute adjustments made on the cost report,

5. A copy of any new or amended contracts for management services by a related party, home office or a third party which includes the basis used to allocate the costs to providers of the group and to non-provider activities, if applicable.
6. Copy of new or amended lease agreement if a leased facility.

When it is determined, upon initial review for completeness by the Division of Medical Services, that a cost report has been submitted without all required information, providers will be allowed a specified amount of time to submit the requested information without incurring the penalty for a delinquent cost report. For cost reports which are submitted by the due date, ten (10) working days from the date of the provider's receipt of the request for additional information will be allowed for the provider to submit the additional information. For cost reports which are submitted by an extended due date, five (5) working days from the date of the provider's receipt of the request for additional information will be allowed for the provider to submit the additional information. If requested additional information has not been submitted by the specified date, the cost report will be subject to the penalty provisions for delinquent submission. An exception exists in the event that the due date (or extended due date when an extension has been granted) comes after the specified number of days for submission of the requested information. In these cases, the provider will be allowed to submit the additional requested information on or before the due date (or extended due date if an extension has been granted) of the cost report.

D. Where to Submit

Nursing facility cost reports and additional information should be submitted through the LTC cost report web application. ICF/IID cost reports and additional information may be submitted to the address below or uploaded to the contractor's web portal.

Arkansas Department of Human Services
Division of Medical Services
P. O. Box 1437 - Slot S535
Little Rock, AR 72203-1437

E. Amended Cost Reports

Providers can submit amended cost reports to the Department up to one hundred, eighty (180) days after the close of the cost reporting period.

1-7 Desk Reviews

The Department will review all cost reports to verify that all facilities have submitted reports properly and in compliance with this manual. Providers will be notified in writing of the results of the desk review.

A provider's cost report can be adjusted for any errors or unallowable costs identified on a provider's cost report after the initial desk review has been completed up to the last day of the rate year for which rates are based on the adjusted cost report.

Financial and Statistical Reports, financial records, statistical records, and any other pertinent documents will be analyzed to verify that:

- A. Cost reports are complete, accurate, and consistent with previous periods and in compliance with program policy.
- B. The allowable costs are necessary, allocable, and reasonable for the performance of covered services required by Medicaid recipients.
- C. The costs are authorized and are not prohibited under Federal and State laws and regulations.
- D. The costs are accorded consistent treatment through the application of accounting principles and practices appropriate to the circumstances.
- E. The costs are related to resident care.
- F. The costs and statistics included in the Financial and Statistical Report are accurate and applicable to the current period.
- G. The costs are net of all applicable credits.

1-8 Audits of Financial Records

The Department will provide for periodic audits of some or all cost reports and supporting records. The Department may also conduct limited reviews of cost data and/or client statistics reported in the cost reports.

The auditors will issue a report upon completion of each audit or review. The report will reflect cost and statistical information as submitted in the cost report and any adjustments the auditors recommend, such that the information complies with the criteria listed above. All audit reports will state the auditor's opinion as to whether, in all material respects, the cost information reported on the Schedule of Expenses (DHS 750, Form 5 or DOM 400, Form 6) and total actual resident days reported on the Statistical Data Schedule (DHS 750, Form 2 or DOM 400, Form 3), with audit adjustments, is presented fairly and in compliance with program policy and regulations.

1-9 Unauditable Situations

If a facility is unable or unwilling to provide necessary documentation to support the financial or statistical records contained in their cost report, the auditors will issue a “disclaimer” report signifying that the audit could not be accomplished. The Office of Long Term Care will advise the facility of the disclaimer in writing. A period of 90 days from the date of the letter of notification will be allowed to permit the facility to accumulate necessary documentation. A follow-up audit will be attempted upon expiration of the 90 day period or sooner if requested by the facility. If the audit can not be completed on the second attempt, the facility will be advised, in writing, that their agreement to participate in the Medicaid program will be terminated effective immediately. A period of 30 days from the date of such notification will be allowed to permit the orderly relocation of Medicaid recipients. The appeals procedures specified in Section 1-10 of this Manual are available to providers.

1-10 Appeal Procedures

A. Time Limit for Appeals

1. Any Long Term Care Facility may appeal the facility’s reimbursement rate, a recoupment, a cost disallowance, a fine, a sanction, the imposition of a civil money penalty or suspension or termination from the program, by submitting a written notice of appeal to the Director of the Department of Human Services within thirty calendar days following the date of the appealed action. The appeal must clearly state the basis for appeal and must be accompanied by supporting documentation. If the facility wishes to utilize the “MEDIATION PROCESS” as contained in this section, it must so state in its written Notice of Appeal.
2. If an appeal is filed the DHS Director or his designee will appoint an independent hearing officer to hear the appeal. The hearing officer will schedule all appeals within 60 days of receipt of written notice of appeal by the Division and will notify the parties in writing of the hearing schedule. Provided that if the appealing facility states in its written Notice of Appeal that it wishes to utilize the “MEDIATION PROCESSES” and the department agrees, then the time for the DHS Director or his designee to appoint a Hearing Officer is waived. However, the appealing facility and the DHS Director or his designee shall implement the mediation process within the sixty days. Upon the termination of the mediation process, if any dispute stated in the notice of appeal remains unresolved, the DHS Director or his designee will appoint the Independent Hearing Officer within sixty days of the termination. The hearing officer will set a discovery schedule if requested by either party. Either party may request a continuance for good cause. The hearing officer may grant a continuance

for good cause upon motion of either party or on the hearing officer's own motion. The hearing officer will render a written decision within 30 days of the hearing and furnish a copy of the decision to the parties or their representatives.

Any objection requesting disqualification of the hearing officer upon allegations of personal interest or bias must be made in writing, supported by good faith affidavit, and submitted to the DHS Director at least fifteen days before the scheduled hearing. The DHS Director will consider the objection promptly and rule on it in a timely manner.

B. Administration of Appeal

1. The appellant may be present at the hearing, may be represented by counsel, and may call witnesses. DHS may appear by such officials as the Division may deem necessary, may be represented by counsel, and may call witnesses.
2. All testimony shall be under oath. Each party shall have the right to call and examine parties and witnesses; to introduce exhibits; to question opposing witnesses and parties on any matter relevant to the issue; and to rebut opposing evidence. The appellant shall have the burden of proving whatever facts it must establish to sustain its position by a preponderance of the evidence.
3. The Hearing Officer shall conduct himself in an impartial manner, and may question any party or witness at any time during the hearing.

C. Decisions

1. All decisions rendered shall be submitted by the Hearing Officer in writing to the Director, DHS, for his review and final determination. At his discretion and for good cause the Director shall have the right to reverse a Decision, or to return the issue to the Hearing Officer for further consideration or additional findings of law or fact. All decisions by the Hearing Officer and the Director shall contain findings of fact and law in accordance with applicable State and Federal laws and regulations. The final decision shall be rendered in writing to the appellant.

D. Mediation Process

1. If a long term care facility in its written Notice of Appeal states it desires to utilize the mediation process in attempt to resolve the dispute(s) between the facility and the DHS as stated in the notice of appeal, and the DHS agrees to the mediation process, then mediation shall be utilized to clarify, narrow or resolve the dispute(s). The DHS shall maintain a list of mediators supplied by the Arkansas Commission on Alternative Dispute Resolution Commission. The objective of the mediation process is to help each side in the dispute(s) understand the other's point of view, with a goal of narrowing, clarifying, or resolving issues in dispute. If the dispute(s) is/are resolved as a result of mediation, then a written statement signed by both parties will be filed with the DHS Director or his designee, shall substitute for a decision in the case, and shall not be appealable.
2. The Chief Counsel's Office of the Department of Human Services shall submit a list of available mediators from which a mediator agreed to by both parties will be selected. The mediator shall restrict his discussions to the designated representatives of the appealing facility and the designated representative of the Department. Designated representatives include each party's attorneys. The mediation shall not bind the parties. The mediation shall not add anything to the record except a final written agreement. The parties may add to the record, but only to the extent they both agree. The mediation shall not unduly delay the process of a case. Time limits for appointing a Hearing Officer and a decision shall be temporarily suspended during the mediation. The mediator shall insure the parties are continuing to work towards resolution of the dispute. The negotiations shall be confidential and shall not be communicated to any decision makers who may serve as future Hearing Officers. If the mediation fails to produce an agreement, or if mediation is not proceeding toward resolving the dispute, then the mediator or either party may so notify the DHS Director or his designee. The DHS Director or his designee will terminate the mediation whereupon the appeal will proceed as outlined in this Section.
3. The appealing facility and the Department of Human Services shall equally share the cost of the mediator's fee.

1-11 Penalties for Failure to Comply with the Medicaid Long Term Care Program

- A. By agreeing to participate in the Long Term Care program, providers must abide by these regulations. Participation in the program may be terminated should the provider:
1. Fail to keep and maintain auditable records.
 2. Fail to disclose or make available to the Department, or its authorized agent, records concerning the operation of the facility, including home office records, if applicable.
 3. Breach the terms of the Medicaid Provider Agreement or failure to comply with the terms of the provider's certifications set out on the Medicaid claim form.
 4. Charge or attempt to charge Medicaid recipients for Medicaid covered services over and above that paid by the Department.
 5. Rebate or accept a fee or portion of a fee or charge for a Medicaid resident referral.
 6. Present, or cause to be presented, false information.
 7. Submit, or cause to be submitted, false information for the purpose of obtaining greater compensation to which the provider is legally entitled.

In addition to the above listing of causes for termination, State or Federal laws or rules may create requirements, the violation of which may cause adverse action.

- B. Arkansas Code 20-10-205 classifies violations relating to the administration of Long Term Care Facilities. Administrative and reporting requirements are classified as Class C and Class D Violations. A description of each follows:

Class C Violations: Providers who fail to comply with administrative and reporting requirements that do not directly threaten the health, safety, or welfare of a resident have committed a Class C Violation. Violations of this nature would include but are not limited to:

1. Failure to provide resident assessment instruments in accordance with the prescribed submission policy. The resident assessment instrument must be complete to be considered submitted.
2. Failure to maintain accurate census records in accordance with this Manual.

3. Failure to maintain accurate resident trust fund records in accordance with this Manual.
4. Submission on the facility's Cost Report as allowable, costs determined by the DHS audit staff to have been claimed under circumstances identical in all material respects to costs that have been disallowed by final desk review or audit. A desk review or audit is final if no timely appeal has been filed, or, if a timely appeal has been filed, there is a final appeal decision disallowing the cost. An appeal decision is final if no additional appeal is provided for by law, or if the time to file an additional appeal has expired. Any facility submitting as allowable costs, costs previously disallowed by a desk review or audit decision that is not final must identify each such cost and reference the pending appeal.

Class C Violations are subject to a civil money penalty to be set by the DHS Director or his designee, in an amount not to exceed five hundred dollars (\$500.00) for a single violation. A single erroneous administrative or reporting practice will be considered a single violation regardless of the number of resident records affected by the practice.

Class D Violation: Failure to timely submit the Cost Report for Long Term Care Facilities. Cost Reports must be postmarked on or before the due date or the extended due date in order to avoid a penalty. The failure to timely submit a cost report shall be considered a separate Class D Violation during any month or part thereof of non-compliance.

Class D Violations are subject to a civil money penalty to be set by the Director, DHS, or his designee, in an amount not to exceed two hundred fifty dollars (\$250.00) for each violation.

In addition to any civil money penalty which may be imposed, the Director of the OLTC is authorized after the first month of a Class D Violation to withhold any further reimbursement to the Long Term Care Facility until the Cost Report is received by the Office of Long Term Care.

Any violation repeated within six months subjects the facility to double civil money penalties up to a maximum of one thousand dollars (\$1,000.00) per violation.

Assessment of civil money penalties does not limit the right of the OLTC to take such other action as may be authorized by law or regulation.

Providers violating this section may be referred to the Attorney General's office.

1-12 Overpayments and Underpayments

Administrative errors on the part of the Division or the Facilities may result in erroneous payments. These errors most commonly result from: failures to report a death, discharge, or transfer; system error in resident classification; and miscalculations of recipient incomes. Overpayments/Underpayments resulting from these errors will be corrected when discovered. Overpayments will be recouped by the Division and underpayments will be reimbursed to the Facility.

Chapter 2 - Payment Method

Federal law requires that states use published payment methodologies and justifications which specify comprehensively the methods and standards for making Medicaid provider payments to long term care facilities.

2-1 Assurance of Payment

Certified Title XIX Long Term Care Facilities furnishing services in accordance with all state and federal Medicaid laws and rules will be paid in accordance with rates established under the state Medicaid plan.

2-2 Acceptance of Payment

Participation in the Title XIX Program is limited to those Facilities which agree to accept the Medicaid payment as payment in full for all care services provided to Medicaid recipients.

2-3 Rate Limitations Based on Medicaid Rates

The purpose of this provision is to assure that the Medicaid program is not charged unfairly high rates as compared to other payers. To that end, Medicaid reimbursement is limited by the weighted average per diem rates charged to other payers. Specifically if a long-term care facility charges other long-term care payers less than 80% of the Medicaid rate for long-term care services, (except for those public facilities rendering long-term care services free of charge or at a nominal charge) then the weighted average Medicaid reimbursement will be reduced to no more than 125% of the facility's weighted average reimbursement. For purposes of applying this rule: (1) Weighted average per diem rates for other payers will be compared to the weighted average Medicaid per diem rates by fiscal year; (2) The 60 consecutive days after a Medicaid rate increase shall not be considered; and (3) No facility shall be required to make a retroactive rate adjustment.

2-4 Facility Class

The Department has established the following specific payment methods:

A. Nursing Facilities

1. Reimbursement Methodology

Reimbursement rates for nursing facilities will be cost-based, facility-specific rates that will consist of four (4) major cost components and will be determined in the following way.

Reimbursement rates will be determined by adding calculated per diem amounts for four (4) separate components of cost: Direct Care, Indirect, Administrative and Operating, Fair Market Rental, and the Quality Assurance Fee. This cost data for calculating these per diems will be taken from desk reviewed cost reports submitted by providers in accordance with these regulations. Only full-year cost reports will be used in establishing cost ceilings and class rates. Cost reports that are submitted because of changes of ownership, whether via purchase or lease, will be used for calculating the facility's individual rate components but will not be used in calculating the direct care ceiling or the indirect, administrative, and operating class rate. The methodology for calculating the per diem amounts for each component of cost is provided below:

A. Direct Care

Direct care per diem cost shall be calculated from the facility's actual allowable Medicaid cost as reported on the facility's cost report. The direct care per diem cost is subject to a ceiling.

The ceiling shall be established at one hundred five percent (105%) of the allowable Medicaid direct care cost per diem incurred by the facility at the ninetieth (90th) percentile of arrayed Medicaid direct care facility cost .

The direct care

component of the rate will rebase annually for the period July 1st to June 30th. An inflation index (see Section A. 6.) will be applied to the provider's direct care per diem cost to inflate cost from the cost reporting period to the rate period.

B. Indirect, Administrative, and Operating

The per diem payment for this component will be set at one hundred ten percent (110%) of the median indirect, administrative, and operating per diem cost adjusted for inflation using the inflation index (see Section A. 6.) and paid as a class rate to all facilities. This per diem payment will be rebased annually.

C. Fair Market Rental

A fair rental system will be used to reimburse property costs. The fair rental system reduces the wide disparity in the cost of property payments for basically the same service therefore making this payment fairer to all participants in the program. The fair market rental system will be used in lieu of actual cost and/or lease payments on land, buildings, fixed equipment, and major movable equipment used in providing resident care. The fair rental payment for facilities that are leased from a related party will be calculated from the costs associated with the related party in conformity with related party regulations.

The payment for provider property cost will be calculated annually by adding the return on equity, facility rental factor, and the cost of ownership, and dividing the sum of these three components by the greater of the actual resident days or resident days calculated at the following occupancy levels. The minimum occupancy percentage for the SFY 2022 cost reporting period and applicable to the CY 2023 rate year shall be sixty percent (60%). Thereafter, the minimum occupancy percentage shall increase as indicted in the following table, up to a maximum of seventy-five percent (75%).

Cost Report Period	Rate Period	% Occupancy
SFY 2022	SFY 2023	60%
SFY 2023	SFY 2024	65%
SFY 2024	SFY 2025	70%
SFY 2025	SFY 2026	70%
SFY 2026	SFY 2027	75%
& after	& after	

Resident days at the minimum occupancy level are calculated as: *Total Licensed Beds x Number of Days in the Period x Minimum Occupancy Percentage.*

1. Return on Equity

The return on equity portion of the fair market rental payment will be calculated by taking the Current Asset Value (CAV) of a facility less the ending loan balance on any loans used to finance fixed assets or major movable equipment, times the sum of the average Moody's Seasoned Baa Corporate Bond Yield for the month of June in the applicable cost reporting period plus one and a half percent (1.5%) as a risk premium. For purposes of calculating return on equity and determining allowable interest expense, allowable debt cannot exceed the facilities Current Asset Value. The maximum rate used for calculating return on equity will be ten percent (10%).

The Current Asset Value (CAV) of a facility is calculated by multiplying the number of beds in a facility by the Per Bed Valuation (PBV) less an aging index of one percent (1%) for each year of age, not to exceed a fifty percent (50%) reduction in PBV. A facility will be considered new the cost reporting period in which the facility is licensed. A facility will be considered one year old the following cost reporting period. The CAV of a facility will be recalculated and an appropriate adjustment to the per diem will be made when additional beds are placed in operation.

Beginning with the CY 2023 rate year and based on the Base PBV for the SFY cost reporting period, the PBV methodology shall differentially apply PBV amounts according to the class of resident room where a licensed bed is located.

Class A Resident Room	
Criteria for Class A Room	PBV Applicable to Each Licensed Bed in a Class A Room
<p>A private, single occupancy resident bedroom. Maximum of one licensed bed per room.</p> <p>Each Class A private room shall have an attached private bathroom, or an attached private bathroom shared with one adjoining private resident room.</p> <p>A Class A room must meet minimum space and other standards for private rooms and attached private bathrooms as set in Department regulations for a licensed SNF.</p>	<p>Base PBV (full PBV) for the SFY 2022 cost reporting period and applicable to the CY 2023 rate year is \$196,977.</p> <p>Updated annually as Base PBV is updated for increases in the construction index.</p>
Class B Resident Room	
Criteria for Class B Room	PBV Applicable to Each Licensed Bed in a Class B Room
<p>A semi-private, double occupancy resident bedroom. Maximum of two licensed beds per Class B room.</p> <p>Each Class B room shall have an attached private bathroom, or an attached private bathroom shared with one adjoining private or semi-private resident room.</p> <p>A Class B room must meet minimum space and other standards for semi-private rooms and attached private bathrooms as set in Department regulations for a licensed SNF.</p>	<p>Base PBV (full PBV) for the SFY 2022 cost reporting period and applicable to the CY 2023 rate year is \$140,594.</p> <p>Updated annually as Base PBV is updated for increases in the construction index.</p>

Class C Resident Room	
Criteria for Class C Room	PBV Applicable to Each Licensed Bed in a Class C Room
<p>A Class C room is any resident room that does not meet the criteria for a Class A room or Class B room. Maximum of two licensed beds per Class C room.</p> <p>For example, a Class C room includes any private or semi-private room lacking an attached private bathroom or where the occupants otherwise must rely on a communal bathroom(s) for toileting.</p>	<p>Fixed at the Per Bed Value in effect on June 30, 2022, with no annual update thereafter for the construction index.</p>

The PBV will be adjusted annually thereafter to reflect changes in construction costs as indicated per the Core Logic Marshall & Swift Valuation Service. A percentage increase will be calculated by dividing the difference between the Comparative Cost Multipliers construction index for Little Rock, Arkansas, for the quarter ending January of the cost reporting period and January of the previous year. The annual adjustment percentage will be the lessor of the percentage as calculated above for building classes: 1) Masonry Bearing Walls, 2) Wood Frame, or five percent (5%).

Every five (5) years, the Division shall analyze and compare the annual updates made using the construction cost index and the actual total cost (including physical plant, fixed equipment, land acquisitions and land improvements) of new SNF construction in Arkansas during the same period. The Division shall rebase the base PBV if actual construction costs increased more than estimated by the construction index.

2. Facility Rental Factor

A facility rental factor will be paid for each facility. The rental factor is calculated by multiplying the CAV of the facility by two and a half percent (2.5%).

3. Cost of Ownership

The cost of ownership component of the property payment will consist of interest, property taxes, and insurance premiums (including professional liability and property) as identified on the facility's cost report. The limitation on allowable interest expense is addressed in the return on equity calculation described above. The limitation on allowable professional liability insurance is addressed in Section 3-2 J. 9.

4. Minor Equipment Purchases

The cost of purchases of minor equipment is not covered in the Fair Market Rental Payment. Minor equipment for the purposes of reimbursement is any equipment that has a unit cost of less than two thousand five hundred dollars (\$2,500). Minor equipment purchases are to be expensed in the cost area in which the equipment is normally used (i.e., direct care cost component or indirect, administrative, and operating component).

5. Renovations

The current asset value of a facility will be adjusted as a result of major renovations made to an existing facility. A major renovation is defined as renovations made to a facility where the total per bed cost of the renovation equals or exceeds ten percent (10 %) of the facility's current per bed value for the beds renovated or five (5%) for renovations to common areas. The actual cost of all additions or fundamental alterations to a facility that are required by state or federal laws or rules that take effect during the cost reporting period will be treated as an adjustment to the provider's aging index regardless of the percentage of current per bed value. The cost of renovation will be treated as an adjustment to the provider's aging index. A facility's aging index will be reduced by one percent (1%) for each percent of the current per bed value expended for renovations on a per bed basis. For facilities that have beds that have been placed in operation at different times or when renovations include only a portion of the beds in a facility, the determination that the renovation meets the criteria of major renovation and the reduction of the aging index will relate to only those beds that were included in the renovation. For renovations to common areas, the determination that the renovation meets the criteria of major renovation and the reduction of the aging index will be applied proportionally to all beds.

Adjustments to the aging index will be rounded to a whole percentage. Percentages greater than or equal to .5 will be rounded up. Percentages less than .5 will be rounded down. A facility wishing to do major renovation to their facility must submit a plan for renovation to the Department of Human Services for review and approval to facilitate an adjustment to the provider's aging index. The duration of the renovation plan cannot exceed a three-year period. The plan shall include a detailed description of the renovation to be done along with the cost of the renovation. The Department will determine if the proposed renovation meets the requirements for major renovation.

The Department will approve or disapprove the renovation project within thirty days of receipt. The provider will then submit a detailed description of the actual work performed and a statement of the actual cost of the renovation upon completion of the project. Renovations that were not completed in compliance with the plan for renovation will not be considered. The Department will notify the provider of the adjustment to the facility aging index as a result of the major renovation. Under no circumstances will the aging index be reduced to less than zero.

6. Aging Index

Age of provider beds for purposes of calculating the aging index were taken from surveys provided by the Arkansas Health Care Association as prepared by providers. The provider is responsible for the accuracy of the information provided. The provider may at any time be required to provide records validating this information. The aging index is subject to adjustment based upon review or audit.

D. Quality Assurance Fee

Act 635 of 2001 established the levy of a quality assurance fee on nursing facilities. The reimbursement rate paid nursing facilities will include a Quality Assurance Fee component. The Quality Assurance Fee component will be reimbursed at the amount established as the multiplier as defined in Act 635 for the date of service billed.

E. Emergency Generators

Act 1602 of 2001 requires nursing facilities to own and maintain emergency generators. This establishes an add-on payment for installing emergency generators applicable only to first time emergency generators installed in order to comply with act 1602 of 2001. Facilities that do not meet the requirement of existing facility as defined in Act 1602 will not receive any add-on payment

in addition to the facility's fair market rental payment. Add-on payments shall be made only for the periods that depreciation or lease expense for the cost of first time generator installations is allowable.

Facilities will be required to submit copies of invoices indicating generator cost and a copy of the financing arrangement if any for the emergency generator installation or a copy of the generator operating lease if any. Facilities that fail to provide this information by December 1, 2002 will not be paid the add-on for thirty days past the date of submission. Should the financing arrangement on the emergency generator change during the add-on period; the facility must provide revised financing information that will be used to calculate the add-on for the following calendar year.

Facilities will be paid an add-on to their per diems for installing emergency generators. The add-on payment will begin January 1, 2003 and will be adjusted each January 1 for the period the add-on is applicable. Using cost information supplied by the facility, the add-on will be calculated by dividing the sum of projected yearly depreciation and projected yearly interest expense or projected yearly lease expense by the greater of the actual resident days from the previous cost reporting period or resident days calculated at the minimum occupancy levels identified in section 2-4 A. 1. C. Fair Market Rental.

Depreciation will be calculated using the straight-line method assuming a useful life of ten years. Interest expense will be allowable and included in the add-on for emergency generators for a maximum period of five years. Interest expense and the associated debt instrument reimbursed under this provision will not be included in the fair market rental payment or any other component of the rate. Lease expense on emergency generator systems will only be allowable for a maximum period of ten years.

Change of ownership does not affect add-on payments. Facilities that change ownership while receiving a generator add-on payment will continue to receive the add-on for the remainder of the allowable period identified above using the original owner's projected expense.

2. Facility Payments – Interim Rates

An interim rate will be established at the beginning of each state fiscal year for each facility. The interim rate will be established by applying the inflation index to the actual per diem rate from the previous rate period. (For the period January 12, 2001 to June 30, 2001, an actual rate will be

calculated from cost reports submitted for the period July 1, 1999 to June 30, 2000. No initial interim rate is necessary because the methodology has been implemented the second half of the rate period and therefore actual rates have been calculated.) The interim rate is necessary to allow time for providers to complete cost reports and allow the Department adequate time to review the cost reports and calculate rates. After the actual per diem calculations occur providers will be paid a weighted per diem rate for the portion of the rate year remaining. The weighted per diem rate will provide for an average payment approximating providers actual per diem.

The following formula will be used to calculate the weighted per diem rate.

$$\{(\text{Actual Per Diem Rate} \times 12) - (\text{Interim Rate} \times \text{Months Used})\} / \text{Months Remaining.}$$

3. Provisional Rate

A provisional rate will be paid to a provider who:

- A. Constructs a new facility; or
- B. Enrolls as a Medicaid provider and has not previously participated in the Medicaid program.

The provisional rate will be established as follows.

- A. The Direct Care per diem rate will be established at the inflation adjusted ceiling for that rate period.
- B. The Indirect, Administrative, and Operating per diem will be the class rate as established for that rate period.
- C. The Fair Market Rental Payment will consist of a return on equity payment assuming no debt, a facility rental factor, and property taxes and insurance at the industry average. The industry average for property taxes and insurance will be calculated by dividing the total

cost for all full year facilities as identified on facility cost reports by total resident days for the cost reporting period. The per diem payment will be calculated by dividing the sum of the components above by the required minimum occupancy. New facilities that have been constructed will use an occupancy rate of fifty percent when calculating the per diem for this component. Facilities that want to establish their provisional rate assuming a higher percent of occupancy can do so by supplying projected occupancy figures to the Department. Facilities have the option of providing documents indicating the actual cost of property taxes and insurance to be used for cost of ownership figures. Actual cost of ownership information can be supplied any time during the initial six-month period. The Division will adjust the facility's provisional rate prospectively based on the information provided.

Facilities who are placed on a provisional rate as detailed above must submit a six month cost report as required in section 1-6 of this manual. The provisional rate will be retroactively adjusted to the per diem calculated in the following manner.

- A. The provider's direct care per diem rate will be calculated from the six month cost report using the inflation index adjusted ceiling for the applicable rate period. For cost reports that span two rate periods the applicable rate period will be considered the one that contains the majority of the days included in the six month report.
- B. The Indirect, Administrative, and Operating per diem will continue to be the class rate as established in the provisional rate.
- C. The amount identified as the sum of the components used in the original calculation (as adjusted for actual cost data if applicable) for the Fair Market Rental Payment will remain as established in the provisional rate. The actual per diem amount will be adjusted to reflect the greater of actual occupancy, or the minimum required occupancy for facilities that enroll as a Medicaid provider who have not previously participated or fifty percent occupancy for new facilities. After the initial six-month reporting period the Fair Market Rental payment will be calculated using a minimum occupancy factor as required in 2-4 A.1. C., for both new facilities and facilities that were not previously enrolled.

If either the provisional rate or the actual rate calculated from the six month cost report extend from one rate period to another, appropriate adjustments will be made to the vendor payment. The inflation index will be applied to the direct care per diem. The administrative and operating per diem will be changed to the class rate for the latest rate period. The fair market rental per diem will be adjusted to reflect any change in the PBV for the latest rate period.

4. Rates for Facilities that Change of Ownership

Facilities that have a change in licensure due to purchase or lease of an existing facility participating in the Medicaid program will be reimbursed the previous operator's rate as of the date of the change of ownership. When this rate extends from one rate period to another, an inflation index will be applied to the per diem rate to establish the rate for the new rate period. The inflation factor to be used is addressed in Section 2-4 A. 6.

5. Terminating Facilities

Facilities that withdraw from the Medicaid program either voluntarily or involuntarily will not be required to submit a final cost report. All payments made to a facility as interim or provisional will be considered as final. This provision does not apply to any fines or penalties that have been imposed on a facility.

6. Inflation Index

For all inflation adjustments (unless stated otherwise in the specific area of the plan) the Department will use the Skilled Nursing Facility Market Basket Index as published by the Centers for Medicare and Medicaid Services. The Department will use the Four Quarter Moving Average Percent Change identified for the final quarter of the rate period.

7. Adjustments to Provider Cost Reports

Adjustments to an individual provider's per diem may be necessary as a result of amended cost reports, desk review, or audit. Should a provider's per diem be adjusted for any reason a retroactive adjustment will be made for all resident days paid back to the beginning of the rate period. Adjustments to a provider's per diem resulting from any source other than

an inquiry for additional information as a result of a desk review for which provided within required deadlines will only affect the per diem for that particular provider. Cost component ceilings for applicable cost components and the floor established for direct care will not be adjusted under these circumstances.

7. Cost Components:

For rate setting, facility allowable costs from desk reviewed facility cost reports for an annual period ending June 30, will be identified and grouped as: Direct Care; Indirect, Administrative, & Operating; Property Costs (Identified for informational purposes, the reimbursement rate for property costs will be determined by the Fair Market Rental method as outlined above in Item A. 1. C.); and Quality Assurance Fee.

a. Direct Care Expenses

The following expenses are classified as Direct Care.

Salaries-Aides
Salaries-Medication Assistants
Salaries-LPN's
Salaries-RNs
Salaries-Occupational Therapists
Salaries-Physical Therapists
Salaries-Speech Therapists
Salaries-Other Therapists
Salaries-Rehabilitation Nurse Aide
Salaries-Assistant Director of Nursing
Salaries-Director of Nursing
FICA-Direct Care
Group Health-Direct Care
Pensions-Direct Care
Unemployment Taxes-Direct Care
Uniform Allowance-Direct Care
Worker's Compensation-Direct Care
Other Fringe Benefits-Direct Care
Contract-Aides
Contract-Medication Assistants
Contract-LPN's
Contract-RN's
Training-Direct Care
Drugs, Over-the-Counter
Oxygen
Medical Supplies-Direct Care
Contract-Occupational Therapists
Contract-Physical Therapists
Contract-Speech Therapists

Contract-Other Therapists
Therapy Supplies
Consultant Fees-Nursing
Raw Food
Food Supplements
Incontinence Supplies

b. Indirect, Administrative, and Operating

The following expenses are classified as Indirect, Administrative & Operating.

Salaries-Administrator
Salaries-Assistant Administrator
Salaries-Dietary
Salaries-Housekeeping
Salaries-Laundry
Salaries-Maintenance
Salaries-Medical Records
Salaries-Other Administrative
Salaries-Owner or Owner/Administrator
Salaries-Activities
Salaries-Pharmacy
Salaries-Social Services
FICA- Indirect, Administrative, and Operating
Group Health- Indirect, Administrative, and Operating
Pensions- Indirect, Administrative, and Operating
Unemployment Taxes- Indirect, Administrative, and Operating
Uniform Allowance- Indirect, Administrative, and Operating
Worker's Compensation- Indirect, Administrative, and Operating
Other Fringe Benefits- Indirect, Administrative, and Operating
Barber & Beauty Expense-Allowable
Consultant Fees-Activities
Consultant Fees-Medical Director
Consultant Fees-Pharmacy
Consultant Fees-Social Worker
Consultant Fees-Therapists
Medical Transportation
Patient Activities
Supplies-Care Related
Other Care Related Costs
Contract-Dietary
Contract-Housekeeping
Contract-Laundry
Contract-Maintenance
Consultant Fees-Dietician

Consultant Fees-Medical Records
Accounting Fees
Advertising for Labor/Supplies
Amortization Expense-Non-Capital
Bank Service Charges
Board of Directors Fees
Data Processing Fees
Dietary Supplies
Depreciation Expense
Dues
Educational Seminars & Training
Housekeeping Supplies
Interest Expense-Non-Capital
Laundry Supplies
Legal Fees
Linen & Laundry Alternatives
Miscellaneous
Management Fees& Home Office Costs
Office Supplies & Subscriptions
Postage
Repairs & Maintenance
Taxes-Other
Telephone & Communications
Travel
Utilities
Criminal Backgrounds Check
Vehicle Depreciation
Vehicle Interest

c. Property

The following expenses are classified as property.

Insurance-Professional Liability
Amortization Expense-Capital
Depreciation
Interest Expense-Capital
Property Insurance
Property Taxes
Rent-Building
Rent Furniture & Equipment

d. Quality Assurance Fee

8. Non-State Public Nursing Facility Adjustment

~~Effective February 21, 2002, a non-state public nursing facility (that is, a public nursing facility that is not owned or operated by the State of Arkansas) shall qualify for a monthly reimbursement adjustment. The adjustment shall result in total payments to the public nursing facilities that are equal to but not in excess of the total of each individual facility's Medicare-related upper payment limit. The public nursing facility with the greatest number of Medicaid days by date of service from the previous state fiscal year will receive the adjustment. The adjustment shall be calculated as follows:~~

~~Once a year:~~

~~All Minimum Data Set (MDS) submissions for the previous state fiscal year for Medicaid residents by public nursing facility will be processed through the Medicare 44 group RUG classification system to attain the RUG score.~~

~~A report will be generated by facility identifying all prescription drugs, lab and x-ray paid by Medicaid for Medicaid residents. Total cost will be divided by twelve to derive a monthly amount.~~

~~A report will be generated by facility identifying Medicaid resident days for the previous fiscal year. Total days will be divided by twelve to derive a monthly amount.~~

~~1. Monthly:~~

~~2. The current Medicare rate associated with each RUG score will be assigned as if the resident were Medicare.~~

~~3. An average rate will be calculated by facility from all rates determined above.~~

~~4. The difference in a facility's average Medicare rate and the facility's Medicaid rate is calculated.~~

~~5. This difference is multiplied by the number of monthly Medicaid resident days.~~

~~6. The monthly amount of prescription drugs, lab and x-ray charges will be subtracted from the product calculated in step 4 by facility.~~

~~7. The total UPL amount is the sum of the amounts calculated in step 5.~~

~~8. Payment shall be made on a monthly basis by the fifteenth of the month.~~

Effective January 1, 2004, the Non-State Public Nursing Facility Adjustment is eliminated.

9. Home Style Facilities

A. Fair Market Rental Payment

Minimum occupancy rules (as defined in Section 2-4 A. 1. C.) for calculating the facility fair market rental payment will be calculated and applied separately for beds certified as Home Style. All other policy described in this Cost Manual regarding the calculation of a facility's fair market rental payment is applicable to Home Style Facility beds.

All costs associated with renovating or constructing beds for initial certification as Home Style shall not be considered a renovation as detailed in section 2-4, A. 1. C. 5. of this Cost Manual. Thereafter, Home Style beds are eligible for renovation adjustment as detailed in the Cost Manual.

A nursing facility participating in this program may certify less than one hundred percent (100%) of its beds as Home Style Facility beds. A facility may have a combination of traditional style nursing facility beds and Home Style Facility beds within a single licensed facility.

B. Cost Reporting

A facility or any part thereof, certified by the Office of Long Term Care as Home Style shall prepare and submit a Financial and Statistical Report/Cost Report. The cost report for Home Style beds will be identified as such by including the words Home Style at the end of the facility name wherever used. The cost report must be prepared in accordance with all reimbursement rules and reporting requirements detailed in the "Manual of Cost Reimbursement Rules." Combination facilities will be required to complete a separate cost report for both the traditional beds and beds certified as Home Style Facility beds. Whenever possible, costs that can be directly identified to either the traditional or Home Style beds must be included on the appropriate cost report. The department recognizes that certain costs cannot be directly identified and benefit both reporting entities. These shared costs

must be allocated between each of the benefiting entities. Any shared cost included in the calculation of the facility's fair market rental payment must be allocated based on the Current Asset Value (CAV). All other shared cost must be allocated based on resident days. The cost report for the Home Style portion of a combination facility will include forms 1, 2, 3, 4, 6, 7, 8, 9, 10, and 16. The cost report for the traditional beds in a combination facility must include all forms. The cost report for traditional beds in a combination facility will include aggregate information (includes both traditional and Home Style) on forms 5, 11, 12, 13, 14, and 15. These forms relate to the overall operation of the facility and cannot be allocated between traditional and Home Style.

The Cost Report for Home Style Beds will be used for the purpose of establishing a per diem rate for the facility's Home Style beds.

Full year cost reports for facilities certified entirely as Home Style Facilities will be included when calculating the direct care ceiling and the median for the indirect, administrative and operating component of the rate during the overall rate setting process. Full year cost reports for combination facilities will be combined into an aggregate per diem cost for both direct care and indirect, administrative and operating, and will be included in the overall rate setting process as well.

C. Staffing

Certified Nurse Assistant's (CNA) utilized in staffing Home Style beds are designated as universal workers within the Home Style concept. The universal worker performs CNA duties, and performs dietary, laundry, housekeeping and other services to meet the needs of residents. CNA duties are considered primary to other duties performed by the CNA, therefore the cost of salaries and fringe benefits for CNA's are considered direct care costs and are appropriately reported in Section 1 of Form 6 on the facility cost report.

D. Rate Setting

With the exceptions detailed above, the per diem rate for beds certified as Home Style beds will be established in the same manner as traditional beds.

B. Intermediate Care Facilities for Individuals with Intellectual Disabilities

1. 16 Bed & Over - State-Operated Facilities:

- a. Effective January 1, 1994, the method of reimbursement for ICF/IID state-operated facilities certified as having more than 15 beds will be based on actual cost with provisions for retrospective adjustment semi-annually to ensure reimbursement of actual allowable, reasonable costs. Each facility will have an interim per diem rate established based on the most recent semi-annual cost report. This interim per diem rate will be adjusted retrospectively as a result of actual costs for that semi-annual cost reporting period. Rates established for this facility type shall be changed due to adjustments to the semi-annual cost reports resulting from provider corrections, desk reviews, or audits and will be retrospectively adjusted to the first day of the applicable cost report period. The reimbursement methodology for this type facility will be adjusted by submission of a State Plan amendment as warranted.

b. Provider Fee

Act 433 of 2009 established the levy of a provider fee on Intermediate Care Facilities for Individuals with Developmental Disabilities. The reimbursement rate paid 16 Bed & Over – State-Operated Facilities will include a Provider Fee component. The Provider Fee component will be reimbursed at the amount established as the multiplier for the date of service billed.

B. Intermediate Care Facilities for Individuals with Intellectual Disabilities - Continued

2. 16 Bed & Over - Private Facilities:

a. Reimbursement Methodology

Effective with dates of service on or after January 1, 1999, ICF/IID 16 bed and over facilities will be paid a prospective rate based on a combination of actual allowable cost for Direct Care & Care Related costs and a class rate up to a ceiling for Administrative and Operating costs. Effective the beginning of each state fiscal year, rates will be rebased or adjusted for inflation. The Department will in its sole discretion determine whether to rebase the rate or apply an inflationary adjustment.

b. Cost Categories

For rate setting, facility allowable costs from desk reviewed facility cost reports for an annual period determined by the Department, will be identified and grouped as Direct Care & Care Related or Administrative and Operating. Direct Care & Care Related include those expenses the facility incurs in providing care directly to the resident. Because these costs most directly affect the quality of care given a resident, the methodology includes as a component the actual allowable cost incurred for Direct Care & Care Related costs.

Administrative and Operating constitute the remainder of facility costs. Costs associated with Administrative and Operating are more directly controllable by the facility. The methodology includes as a component a class rate up to a ceiling to cover the costs for Administrative and Operating.

For rates effective January 1, 1999, desk reviewed facility cost reports for the period 1/1/97 through 6/30/97 and 7/1/97 through 12/31/97 were combined to establish the base year rates. Rebasing and cost reporting period for rebasing will be at the discretion of the Department. Should the Department decide to rebase, the most currently available desk reviewed cost reports will be used.

c. Rate Setting

Rates will be established in the following manner: An average per diem cost for Administrative and Operating will be calculated for the facility class. This will be accomplished by determining per diem cost for Administration & Operating for each facility by dividing the actual allowable cost for each facility by their total resident days, adding the individual facility per diem costs and dividing by the number of facilities within the facility class. A ceiling for Administrative and Operating will be set at 105% of the average. A facility will be paid at the lesser of the ceiling or their actual per diem cost plus 10% of the amount calculated as 105% of the average. A per diem cost will be calculated for each facility for Direct Care and Care Related costs. The per diem cost will be calculated by dividing the actual allowable cost for each facility by their total resident days. A facility's per diem cost for Direct Care and Care Related cost and Administrative & Operating cost will be combined to get a facility's total per diem. Once the total per diem by facility has been established, these rates will be adjusted for inflation from the base year to the rate year. In years that the rates are not rebased, existing rates will be adjusted for projected inflation. The Department will use the HCFA Input Price Index (market basket) – Nursing Facilities published quarterly for determining appropriate inflation rates. Facility rates will be rebased periodically at the Department's discretion.

d. Provider Fee

Act 433 of 2009 established the levy of a provider fee on Intermediate Care Facilities for Individuals with Developmental Disabilities. The reimbursement rate paid 16 Bed & Over – Private facilities will include a Provider Fee component. The Provider Fee component will be reimbursed at the amount established as the multiplier for the date of service billed.

e. Enhanced Care Add-On

The Department recognizes that the current rate structure limits the providers' ability to invest additional monies for the purpose of improving the quality of care. Additionally the recent increase in the minimum wage (an unfunded federal mandate) will make it difficult for providers to maintain current standards much less improve the quality of care. Therefore the Department will implement an enhanced care add-on in the amount of \$10.54 per day. This enhanced payment will provide additional funds for

wage adjustments in the base salaries for new hires and incumbent salaries to address the increase of the federal minimum wage in July 2009. This will also directly increase benefits related to these salary increases such as FICA, LTD, Life insurance, retirement, etc. This add-on will also provide funding for additional initiatives to improve the quality of care. The following list of items identifies these additional initiatives.

1. Enhanced staff resources for staff development, nursing, psychological and other professional personnel
2. Enhanced maintenance cost due to the aging of the facilities
3. Enhanced direct care staff and increase in number of staff to meet increased needs of children with autism and other behavior needs in order to maintain a quality standard of care and insure the health and safety of all children being served
4. Enhanced Technology (Computers, teleconferencing, electronic files, electronic time keeping, etc.
5. Software for client programming, client data bases, billing etc.
6. Security cameras/lighting
7. Other items deemed appropriate in providing enhance care

The Enhanced Care Add-on is paid in addition to the rate components identified in paragraph a. and b. above.

f. Rate Justification

Modeling of this methodology produced estimates that each facility identified as efficient and economic (providers operating at or below the median of arrayed non-direct care costs) would receive payment equaling 100% (plus or minus 5%) of that facility's actual allowable cost. Cost coverage in the aggregate is equal to or less than 100% for ICF/IID facilities.

B. Intermediate Care Facilities for Individuals with Intellectual Disabilities – Continued

3. Under 16 Beds:

- a. Small ICF/IID facilities certified as having 15 beds or fewer will be reimbursed on a prospective uniform class rate system. An inflationary adjustment, determined by the Division to be reasonable and adequate, will be applied to the existing rates and will be implemented by State Plan amendment as warranted by analysis of cost report data. Cost reports will be submitted annually for the preceding calendar year (January 1 – December 31) and will be reviewed prior to establishing new rates. The Division has established the per diem rate of \$195.43 for dates of service beginning July 4, 2013.

- b. Provider Fee

Act 433 of 2009 established the levy of a provider fee on Intermediate Care Facilities for Individuals with Developmental Disabilities. The reimbursement rate paid Under 16 Beds facilities will include a Provider Fee component. The Provider Fee component will be reimbursed at the amount established as the multiplier for the date of service billed.

The Provider Fee component is paid in addition to the rate identified in paragraph a. above.

- c. Enhanced Care Add-On

The Department recognizes that the current class rate structure limits the providers' ability to invest additional monies for the purpose of improving the quality of care. Additionally the recent increase in the minimum wage (an unfunded federal mandate) will make it difficult for providers to maintain current standards much less improve the quality of care. Therefore the Department will implement an enhanced care add-on in the amount of \$7.02 per day. This enhanced payment will provide additional funds for wage adjustments in the base salaries for new hires and incumbent salaries to address the increase of the federal minimum wage in July 2009. This will also directly increase benefits related to these salary increases such as FICA, LTD, Life insurance, retirement, etc. This add-on will also provide funding for additional initiatives

to improve the quality of care. The following list of items identifies these additional initiatives.

8. Enhanced staff resources for staff development, nursing, psychological and other professional personnel.
9. Enhanced therapy services to meet increasing behavior needs of the aging population being served
10. Enhanced maintenance, housekeeping staff
11. Enhanced direct care staff
12. Generators
13. Enhanced Technology (Computers, teleconferencing, electronic files, electronic time keeping, etc.
14. Software for client programming, client data bases, billing etc.
15. Security cameras/lighting
16. Other items deemed appropriate in providing enhanced care

The Enhanced Care Add-on is paid in addition to the rate components identified in paragraph a. and b. above.

d. Overpayment/Underpayments

Overpayment/underpayments resulting from Section 1-12 administrative errors shall be handled through the vendor payment by recouping overpayments and reimbursing underpayments.

C. SNF & ICF - Special Class – Arkansas Health Center Nursing Facility

1. Reimbursement Methodology

The Arkansas Health Center Nursing Facility will be reimbursed on an actual cost reimbursement system with provisions for retrospective adjustments to ensure reimbursement of actual allowable and reasonable costs. The facility will have an interim per diem rate established based on the most recent semi-annual cost report. This interim per diem rate will be adjusted retrospectively as a result of actual costs for that semi-annual cost reporting period. The per diem will be calculated by dividing actual allowable cost by resident days for the cost reporting period. The per diem rate shall be changed as a result of adjustments to the semi-annual cost reports resulting from provider corrections, desk reviews, or audits, and will be retrospectively adjusted to the first day of the applicable cost report period.

2. Overpayments/Underpayments

Overpayments/underpayments resulting from Section 1-12 administrative errors shall be handled through the vendor payment by recouping overpayments and reimbursing underpayments.

2-5 Mandatory Changes

The Department of Human Services acknowledges that State laws passed by the Arkansas General Assembly and administrative rules promulgated by the Division of Medical Services occasionally require the state's long term care facilities to incur costs which

were not incurred prior to the adoption of the law or rule. DHS will assess the impact of newly required costs and, when warranted, seek additional reimbursement through the state and federal executive and legislative agencies. The Division of Medical Services will implement any available additional reimbursement, including appropriate retroactive payments, within the quarter following all necessary approvals, appropriation, and funding.

DHS will inform state and federal agencies proposing new nursing facility mandates of the projected costs, if any, of such mandates. If a proposed mandate would substantially increase costs without attendant state and federal funding, DHS will object to implementing the mandate without corresponding state and federal funding.

Chapter 3 - Allowable Costs

3-1 General Information

- A. This chapter sets forth principles for determining the allowable costs for the facilities which:
 - 1. Meet the definition of a Nursing Facility (NF) under 42 CFR Part 483, Subpart B, if licensed and certified as a NF.
 - 2. Meet the definition of an Intermediate Care Facility for Individuals with Intellectual Disabilities (ICF/IID) under 42 CFR Part 483, Subpart I, if licensed and certified as an ICF/IID.
 - 3. Meet certification requirements to participate in the Medicaid program as a NF or ICF/IID.
 - 4. Are primarily engaged in providing to residents:
 - a) skilled nursing care and related services for residents who require medical or nursing care,
 - b) rehabilitation services for the rehabilitation of injured, disabled, or sick persons,
or
 - c) on a regular basis, health-related care and services to individuals who because of their mental or physical condition require care and services (above the level of room and board) which can be made available to them only through institutional facilities.
- B. The Medicare Provider Reimbursement Manual (HCFA Publication 15-1) and the Federal regulations appropriate to the recognition of costs for facilities under the Medicare program are a supplement to this chapter. A facility shall use the Medicare Provider Reimbursement Manual and Federal regulations for the sole purpose of determining the allowability of a specific cost not determinable by reference to this manual. A facility may not use the Medicare Provider Reimbursement Manual or Federal regulations for a cost that is determined to be unallowable in this chapter. A facility may not use the Medicare Provider Reimbursement Manual or Federal regulations to alter the treatment of a cost provided for in this chapter.

- C. Generally Accepted Accounting Principles (GAAP) as interpreted in the opinions of the American Institute of Certified Public Accountants (AICPA) and in the statements by the Financial Accounting Standards Board (FASB) are a supplement to this chapter. A facility shall use GAAP for cost issues which are not specifically addressed in this chapter, the Medicare Provider Reimbursement Manual, or Federal regulations. A facility may not use GAAP for a cost that is determined to be unallowable in either this chapter, the Medicare Provider Reimbursement Manual, or Federal regulations. A facility may not use GAAP to alter the treatment of a cost provided for in this chapter, the Medicare Provider Reimbursement Manual, or Federal regulations.
- D. Allowable costs must be reported on a full accrual basis of accounting. If a facility maintains its internal records on a basis other than the accrual method, it will be necessary to convert to the accrual basis for cost reporting purposes. This does not apply to State owned facilities.
- E. The Arkansas Department of Human Services (DHS) defines allowable and unallowable costs to identify expenses which are reasonable and necessary to provide recipient care to Medicaid recipients by an economical and efficient provider. The primary objective of the cost reporting process is to provide adequate data for the determination of fair and reasonable reimbursement rates to providers. To achieve that objective, DHS compiles a rate base consisting, if possible, only of allowable cost information. If DHS classifies a particular type of expense as unallowable for purposes of compiling a rate base, it does not mean that individual providers may not make expenditures of this type.
- F. Definitions. The following words and terms, when used in this subchapter, shall have the following meanings, unless the context clearly indicates otherwise.
 - 1. Allowable costs — Those expenses that are reasonable and necessary in the normal conduct of operations to provide recipient care in a facility.
 - a) Reasonable refers to the amount expended. The test of reasonableness is that the amount expended does not exceed the cost which would be incurred by a prudent business operator seeking to contain costs.
 - b) Necessary costs are those costs essential:
 - (1) to operate a long term care facility and deliver long term care in conformity with applicable federal, state, and local laws, rules, ordinances, and codes; and

- (2) to attain or maintain the highest practicable physical, mental, and psychosocial well being of each resident.
 - c) Normal conduct of operations relating to recipient care refers to otherwise allowable costs that include, but are not limited to, the following:
 - (1) expenses for facilities, materials, supplies, or services used by a facility solely for providing longterm recipient care. Whenever otherwise allowable costs are attributable partially to personal or other business interests and partially to facility recipient care, the latter portion may be allowed on a pro rata basis if the basis for allocation of expense for recipient care purposes is well-documented. This documentation includes the allocation methodology and appropriate logs necessary to support amount attributed to recipient care;
 - (2) allowable costs which result from arms-length transactions involving unrelated parties. In transactions involving related organizations, the allowable cost to the facility is the cost to the related party. Allowable costs in this regard are limited to the lesser of the actual purchase price to the related party, or usual and customary charges for comparable goods or services.
 - d) Allowable costs must be reported net of any applicable returns, allowances, discounts, and refunds.
2. Costs of Related Organizations — Costs for services or supplies furnished to the facility by related organizations are allowable at the cost to the related party to the extent that they are reasonable and necessary in the normal conduct of operations relating to recipient care in a facility and do not exceed those costs incurred by a prudent buyer. Providers should treat the cost incurred by the related party as if they were incurred by the provider itself. Providers must supply a detail income statement from the related party entity so the proper cost report classification can be determined. If the cost to the related party would be classified as a direct care cost by the nursing facility, then the related cost must be claimed on a direct care line on the cost report. If the cost to related party would be classified as an indirect, administrative, and operating cost by the nursing facility, then the related party cost must be claimed on an indirect, administrative, and operating cost report line. If the cost to related party would be classified as a property cost by the nursing facility, then the related party cost must be claimed on a property cost report line. Expenses for transactions with related organizations should not exceed expenses for

like items in arms' length transactions with other non-related organizations.

- a) Related Organization — A related organization (includes individuals, partnerships, corporations, etc.) is one where the provider is associated or affiliated with, has common ownership, control, or common board members, or has control of or is controlled by the organization furnishing the services, facilities, or supplies.

- b) Common ownership — Common ownership exists when an entity, individual or individuals possess 5% or more ownership or equity in the provider and the institution or organization serving the provider.
- c) Control — Control exists where an individual or an organization has the power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution.
- d) Immediate Family Relationship - Immediate family members are related parties. Immediate family members include husband/wife, natural parent, child, sibling, adoptive child and adoptive parent, step-parent, step-child, step-sibling, father-in-law, mother-in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, grandparent, and grandchild.
- e) Exception - An exception to the general rule applicable to related organizations exists where large quantities of goods and services are furnished to the general public by the related organization and sales to the facility represent no more than five percent of the gross receipts of the related organization. The facility must demonstrate to the satisfaction of the Department that all of the following criteria are met:
 - (1) The supplying organization is a bona fide separate organization;
 - (2) A substantial part of the supplying organization's business activity with the facility is transacted with other organizations not related to the facility and the supplier by common ownership and there is an open, competitive market for the type of services, supplies or facilities furnished by the organization;
 - (3) The services, supplies, or facilities are those commonly obtained by facilities from other organizations and are a necessary element of resident care.
 - (4) The charge to the facility is no more than the charge for such services, supplies, or facilities in the open, competitive market, and no more than the charge made by the organization, under comparable circumstances, to other customers for such services, supplies, or facilities.

- f) The facility must furnish to the Department adequate documentation to support the costs incurred by the related organization, including access to the related organization's books and records concerning supplies, services, or facilities furnished to the facility. Such documentation must include an identification of the organization's total costs, and the basis for allocating direct and indirect costs to the facility and to other entities served.
 - g) Limitations on cost for related party transactions will not apply to the sale of one or more nursing facilities by a person to that person's child or children for money equal to the fair market value of the facility or facilities. All other regulations relating to the sale of a facility will apply.
3. Unallowable Costs — Those expenses that are not reasonable or necessary for the provision of recipient care in a facility, according to the criteria as specified in paragraph (1) of the subsection. Unallowable costs are not included in the rate base used for determining reimbursement rates.
 4. Prudent Buyer Concept - Allowable costs may not exceed the cost that a prudent buyer would pay in the open market to obtain products or services.
 5. Arms-Length Transaction - A voluntary transaction between a knowledgeable and willing buyer unrelated to the seller, with each acting for his or her own independent self-interest.

3-2 List of Allowable Costs

The following list of allowable costs is not all inclusive but serves as a general guide and clarifies certain key expense areas. The absence of a particular cost does not necessarily mean that it is not an allowable cost. As discussed further in Section 3-4, certain income items will reduce allowable costs and be offset against the appropriate line items for salaries and wages or other service expenses. Except where specific exceptions are noted, the allowability of all costs is subject to the amounts being reasonable and to the other general principles specified in section 3-1 of this chapter.

- A. Compensation of facility employees. This includes compensation for only those employees who provide services directly to the recipients or staff of individual facilities in the normal conduct of operations relating to recipient care: certified nurse aides; nurse aides in training; medication assistants; licensed practical nurses; graduate practical nurses; registered nurses; graduate nurses; other salaried direct care staff; occupational therapists; physical therapists; speech therapists; other therapists; activities personnel; assistant director of nursing; director of nursing; pharmacy personnel; social services personnel; administrator; assistant administrator; food service personnel; housekeeping, laundry, and maintenance staff; medical records personnel; other administrative staff; accounting staff; and data processing

personnel. Compensation for employees related to the owners, partners, or stockholders of the facility are subject to the limitation established in Section 3-2 B. following. Compensation includes:

1. wages and salaries;
2. the employer's portion of payroll taxes and other mandatory insurance payments. Federal Insurance Contributions Act (FICA or Social Security), Unemployment Compensation Insurance, Workers' Compensation Insurance premiums and other payments mandated by Workers' Compensation laws, including self insurance payments, and payments direct to hospitals or physicians for treating minor injuries.
3. employee benefits. Employer-paid health, life, accident, and disability insurance for employees; uniform allowance and meals provided to employees as part of an employment contract; contributions to an employee retirement fund; and deferred compensation. The allowable portion of deferred compensation is limited to the dollar amount that an employer contributes during a cost reporting period. The expenses:
 - a) must represent a clearly enumerated liability of the employer to individual employees;
 - b) must be incurred as a benefit to employees who provide services to the recipients or staff of an individual facility; and
 - c) must be offered to all full-time non-probationary employees on a equal basis in accordance with an employee benefit policy established in writing. Employers may offer different fringe benefits to different employee classes. Fringe benefits offered to only certain employees within the same employee class of the facility are considered discriminatory fringe benefits and are not allowable. Employee classes must be reasonably related to employee job duties and may not distinguish between persons similarly situated. Reasonable uniform allowances, and life insurance policies on key personnel as required to obtain a loan from an unrelated party, are exempt from this rule.

- B. Compensation of owners, partners, or stockholders. NOTE: These provisions do not apply to corporations whose stock is publicly traded. Compensation will be included as an allowable cost to the extent that it represents reasonable remuneration for managerial, professional, and administrative services related to the operation of the facility and rendered in connection with resident care. Services rendered in connection with resident care include both direct and indirect activities in the provision and supervision of resident care, such as administration,

management, and supervision of the overall institution.

To be included as allowable cost, the compensation shall not exceed 150% of the median wage (excluding non-wage compensation) for comparable positions in facilities that do not have owner operators. Cost Reports from the previous reporting period will be used for setting the ceiling. The HCFA Market Basket projection of inflation will be used to adjust ceilings calculated from the cost reporting period to the rate setting period. Three peer groups will be established for this purpose: 1) Less than 75 licensed beds; 2) 75 to 149 licensed beds; and 3) 150 licensed beds or more. This ceiling is established based on a 40-hour workweek. Owner administrators working less than 40 hours per week must adjust allowable compensation accordingly.

- C. Cost of contracted services. This means costs of services defined in 3-1.F.1. procured by contract.
- D. Management fees paid to unrelated parties. The department considers management fees paid to unrelated parties as allowable only to the extent that such fees are reasonable and are in accordance with the other general requirements of section 3-1 of this chapter.
- E. Management fees paid to related party organizations and other home office overhead expenses. These fees and expenses paid to a related organization may not exceed the actual cost of materials, supplies, or services provided to an individual facility. A facility that is owned, operated, or controlled by other individual(s) or organization(s) may report the allowable portion of costs for materials, supplies, and services provided to that facility. The allowable portion of such costs to a given facility is limited to those expenses that can be attributed to the individual establishment.
 - 1. In multi-facility organizations where the clear separation of costs to individual facilities is not always possible, the allowable portion of actual costs for materials, supplies, and services may be allocated to individual facilities on a pro rata basis. The required allocation method for these costs is a bed day's basis. Providers who wish to use an alternative allocation methodology may do so by obtaining prior written approval from the Director of the Department of Human Services, or the Director's designee, before implementation. Once a provider has chosen an alternative allocation method, and it has been approved, it must be consistently used in preparing subsequent cost reports.
 - 2. In organizations with multiple levels of management, costs incurred at levels above the individual facility in Arkansas are allowable only if the costs were incurred in the provision of materials, supplies or services used by the facility staff in the conduct of normal operations relating to

recipient care. In addition, the facility will make available immediately upon request adequate documentation to demonstrate that the costs satisfy the following criteria:

- a) The expense does not duplicate other expenses.
- b) The expense is not incurred for personal or other activities not specifically related to the provision of long term care.
- c) The expense does not exceed the amount that a prudent business operator seeking to contain costs would incur.

If at the time of the request, records are in active use or are located in a place which makes immediate access impossible or impractical, the facility must certify that fact in writing and deliver the records within 72 hours of the request.

- 3. Adequate documentation consists of all materials necessary to demonstrate the relationship of personnel, supplies, and services to the provision of recipient care. These materials may include, but are not limited to, accounting records, invoices, organizational charts, functional job descriptions, other written statements, and direct interviews with staff, as deemed necessary by DHS auditors to perform required tests of allowability.
- 4. A ceiling is established for compensation of owners, partners or stockholders or employees related to owners, partners, or stockholders, employed by a company managing multiple facilities. That ceiling is calculated as follows: For the first two nursing facilities, the ceiling is set at 150 percent of the median wage for non-related administrators for nursing facilities having 150 or more certified beds as provided in Section 3-2 B. For the third facility, the allowable cost is raised by 20 percent of the ceiling for two facilities. For each of the fourth and fifth facilities, the allowable cost is raised by 10 percent of the ceiling for two facilities. Thereafter, for each additional facility, the allowable cost is raised by 5 percent of the ceiling for two facilities. The total allowable cost for an employee must not exceed 200 percent of the ceiling for two facilities.

- F. Cost to Provide routine services. Includes cost that will be incurred in all cost reporting categories. This section of the manual identifies items that are generally considered allowable cost and therefore must be furnished by the facility and does not address the proper category for cost reporting purposes. Please refer to the instructions for completing cost reports and the chart of accounts to assist in determining the classification of these items. (Items appearing in this listing that are required to be capitalized and depreciated as described in other sections of this Cost Manual should be treated accordingly. The cost of items that are rented or

leased must be reported on the cost report as equipment rental). Cost includes but is not limited to:

1. Urological, ostomy, and gastrostomy supplies not billable under Medicare Part B.
2. Intravenous (I.V.) or subcutaneous tray, connecting tubing and needles.
3. General medical supplies stocked on floor in gross supply and distributed in small quantities, including isopropyl alcohol, hydrogen peroxide, applicators, cotton balls, tongue depressors.
4. Items furnished routinely and relatively uniformly to all residents, such as water pitcher, glass and tray, wash basin, emesis basin, denture cups, bedpan, urinal, thermometer, and hospital type resident gowns.
5. First aid supplies, including small bandages, merthiolate, mercurochrome, hydrogen peroxide and ointments for minor cuts and abrasions, etc.
6. Enema supplies, including equipment, solutions and disposable enemas.
7. Douche supplies, including vaginal or perineal irrigation equipment, solutions and disposable douches.
8. Special dressings, including gauze, 4 x 4's ABD pads, surgical and micropore tape, telfa gauze, ace bandages, and cast materials.
9. Administration of oxygen, related equipment and medications including oxygen, oxygen concentrators, cannulas, mask, connecting tubing, IPPB, Pulmo-Aide, nebulizers, humidifiers and related respiratory therapy supplies and equipment.
10. Pressure relieving devices including, air or water mattresses or pads, fleece pads, foam pads and rings.
11. Disposable diapers and other incontinence items used as a means of caring for incontinent residents.
12. Special diets, salt and sugar substitutes, supplemental feedings, special dietary preparation, equipment required for preparing and dispensing tube and oral feedings, special feeding devices.
13. Daily hair grooming/shaving performed by a facility staff member. (Does not include service performed by licensed barber or beautician except as an employee of the facility).

14. Comb, brush, toothbrush, toothpaste, toothettes, lemon glycerin swabs, denture cream, razor, razor blades, soaps and breath fresheners, mouthwashes, deodorants, disposable facial tissues, sanitary napkins, and similar personal hygiene items. Residents who choose not to use the brand furnished by the facility must purchase their own items, and the costs of the items are not allowable costs.
15. Personal laundry services for residents (does not include dry cleaning).
16. Equipment required for dispensing medications, including needles, syringes, paper cups, medicine glasses.
17. Equipment required for simple tests and examinations, including sphygmomanometers, stethoscopes, clinitest, acetist, dextrostix, scales, glycometer.
18. Equipment required by the Arkansas Department of Human Services for licensure which is available for use by all residents. Includes trapeze bars and overhead frames, foot boards, bed rails, cradles, wheelchairs, geriatric chairs, foot stools, adjustable crutches, canes, walkers, bedside commode chairs, hot water bottles or heating pads, ice bags, sand bags, traction equipment.
19. Other equipment required to adequately care for residents including suction machines, connecting tubing, catheters, suture removal trays, airways, infusion arm boards, sun or heat lamps, chest or body restraints, slings.
20. Food and nonalcoholic beverages, dietary and food service supplies, and cooking utensils.
21. Housekeeping supplies, office supplies, and materials and supplies for the operation, maintenance, and repair of buildings, grounds, and equipment.
22. Equipment and supplies to meet the activity needs of residents as required by state and federal regulations including the needs of room bound residents.

G. Drugs.

1. All drugs furnished by a facility must be administered in conformity with a physician's written order or prescription.

2. Over-the-counter drugs (PRN or routine) not covered by the prescription drug program are allowable cost items. These include but are not limited to simple pain relievers, antacids, mouthwashes, simple laxatives and suppositories, simple cough syrups, antidiarrheal medications, insulin and insulin needles (regardless of frequency).
3. Herbal supplements and remedies are not allowable.

- H. Cost of specialized rehabilitative services including physical, speech, occupational and mental health, in facilities provided by licensed therapist when such treatment is ordered by a physician. However, these costs will not include the direct cost of services reimbursed by Medicare Part A, Medicare Part B, or other third party payer.”
- I. Utilities. This includes electricity, natural gas, fuel oil, water, wastewater, garbage collection and telephone. The costs of staff personal calls and individualized resident telephone services including long distance are not allowable.
- J. Property and Equipment Expenses. Note: Effective January 12, 2001 the reimbursement methodology for nursing facilities changed to a cost based facility specific rate which included a fair market rental component to reimburse for property and equipment cost in lieu of actual cost and/or lease payments. Allowability (or unallowability) of costs as described below will not affect nursing facility reimbursement rates. Nevertheless, nursing facilities must continue to report costs in the manner described below in order to continue to maintain historic cost records. Actual reimbursement to providers will be made in accordance with the rules established in Section 2-4 A. of this Manual of Cost Reimbursement Rules.
1. Amortization Expense – Costs associated with the origination of a loan allowable under this section will be allowable if amortized over the life of the loan. Costs associated with early retirement of a loan allowable under this section may be allowable. If the amount of the interest plus any unamortized origination fees or prepayment penalties do not exceed the maximum amount of allowable capital interest that would have been allowed had the debt not been paid off, then all of the interest and unamortized costs and other prepayment penalties can be claimed as part of the interest expense for the year. If the unamortized fees and prepayment penalties plus interest exceed the amount that would have been allowed then any excess can be carried forward and claimed for a period of up to five years so long as total interest expense and unamortized fees and prepayment penalties do not exceed the interest amount that would have been allowable under the previous financing arrangement.
 2. Depreciation Expense - Depreciation on the facility's buildings, furniture, equipment, leasehold improvements and land improvements.

Depreciation on capital assets, including assets for normal standby or emergency use in which the facility is the record title holder and which assets are used to provide covered services to Medical Assistance Recipients, will be allowable subject to the following conditions:

- a) Generally accepted accounting principles incorporating the straight-line method of depreciation must be used. Accelerated methods of depreciation are not acceptable. Facilities must follow American Hospital Association Guidelines for Depreciation as the basis for calculation of straight-line depreciation. Capitalization is not required for minor equipment costing less than two thousand five hundred dollars (\$2,500) per item. Minor equipment purchases are to be expensed in the cost area in which the equipment is normally used (i.e., direct care cost component or indirect, administrative, and operating component). It is not required to deduct salvage value from the cost of the asset for the purpose of calculating depreciation. Component depreciation for physical structures is not acceptable.

Depreciation expense for the year of acquisition and the year of disposal can be computed by using: (1) the half-year method; or (2) the actual time method.

- b) The method and procedure for computing depreciation must be applied from year-to-year on a consistent basis.
- c) The assets shall be recorded at cost. Cost during the construction of an asset, such as architectural, consulting, and legal fees, interest, etc., must be capitalized as a part of the cost of the assets. When an asset is acquired by trade in, the cost of the new asset is the sum of the book value of the old asset and any cash or issuance of debt

as consideration paid.

- d) Leasehold improvements may be depreciated over the asset's useful life or the remaining life of the lease, whichever is less.
 - e) Losses realized from the reasonable disposal or transfer of depreciable assets are a reported cost. Gains realized from the disposal or transfer of depreciable assets are revenue adjustments to be deducted from depreciation costs.
 - f) As a basis for reporting depreciation on capital building construction or renovation costs exceeding \$500,000, prior approval of the Arkansas Health Services Agency must be secured to meet the requirements of Section 1122 of Federal Social Security Act. If the prior approval is not obtained, no depreciation cost will be allowed for expenditures for such capital building construction or renovation, unless such approval is subsequently received, although operational costs will be considered as a regular expense.
 - g) Where purchase of a facility or improvements thereto are financed by tax exempt bonds, the acquired property, plant or equipment must be capitalized and depreciated over the life of the asset. The depreciation and not the installment payment is considered an allowable cost. The amortization of interest in accordance with the terms of the bond issue is an allowable cost. Where the principal amount of the bond issue was expended in whole or in part on capital assets which fail to meet the requirements above regarding eligibility for depreciation, the includable depreciation shall be proportionately reduced.
 - h) Fixed asset records shall be maintained. The records shall include: The depreciation method, a description; the date acquired; cost; depreciable cost; estimated useful life; depreciation for the year and accumulated depreciation. Salvage value is not required to be maintained.
 - i) A funded depreciation account for future replacement of assets must be maintained for depreciation allowed on assets obtained through federal or state funds or grants, e.g., legacy foundation grant, Hill-Burton grants, etc.
3. Interest expense includes interest paid or accrued on notes, mortgages and other loans, the proceeds of which were used to purchase the facility's land, buildings and/or furniture and equipment. Intra/Inter Company

transactions should be handled according to Generally Accepted Accounting Principles.

- a) To be allowable under the Medicaid Program, interest must be supported by evidence of an agreement that funds were borrowed and that payment of interest and repayment of funds are required, identifiable in the provider's accounting records, related to the reporting period in which costs are incurred, necessary to the operation, maintenance, or acquisition of the provider's facilities, and be incurred for a purpose related to resident care.
 - b) Allowable interest expense on loans from a related party is limited to the maximum interest rate equal to the Prime Commercial Rate reported by the St. Louis Federal Reserve Bank.
 - c) Interest applying to mortgages on the property and plant of the facility will be included in allowable costs. Where a provider leases facilities from a related organization and the rental expense paid to the related organization is not allowable as cost, the mortgage interest paid by the related organization is allowable to the provider as cost, as are the other costs of ownership of the leased facility such as property insurance, depreciation, and real estate taxes.
 - d) Interest incurred at a rate not in excess of what a prudent borrower would have had to pay in the open market existing at the time the loan was made will be recognized. Allowable costs for interest may not exceed limitations set by any state or federal law or the law of the state in which the loan originated. Allowable costs for interest may not include penalties or late charges.
- 4. Cost of fire and casualty insurance on facility buildings and equipment.
 - 5. Taxes levied on the facility's land, buildings, furniture and equipment.
 - 6. Cost of leasing the facility's real property. The lease must classify as a true operating lease. (Any lease that transfers substantially all of the benefits and risks of ownership should be accounted for as the acquisition of an asset and the incurrence of an obligation by the lessee in accordance with generally accepted accounting principles.)
 - 7. Cost of leasing the facility's furniture and equipment.

8. Sale and leaseback transactions will not be recognized for reimbursement purposes. Only those costs associated with the owner of record prior to the sale and leaseback transaction will be considered for reimbursement.
 9. Cost of premiums for insuring the facility against injury and malpractice claims. The allowable insurance premium cost for nursing facilities (excluding Arkansas Health Center) is capped at \$2,500 per licensed bed as of the end of the cost reporting period.
- K. Transportation costs.
1. The per mile deduction for business travel fixed by the Internal Revenue Service may be claimed for each facility vehicle mile traveled for resident transportation or business use related to resident care, as established by mileage records. The cost of a vehicle provided to a key staff person for his or her use shall be included in the compensation for that individual.
 2. If the facility acquires and maintains one or more vehicles designed and equipped to carry more than seven passengers, one or more vehicles equipped to transport residents that require wheelchairs for mobility, or the cost of a vehicle used exclusively for maintenance of the facility for which it is claimed, the facility may opt not to claim the Internal Revenue Service's rate per mile and instead claim reimbursement of the actual vehicle costs to provide resident transportation in that vehicle or vehicles to the extent such costs conform to Internal Revenue Service rules for vehicle business use.
 3. The per mile rate allowable by the Arkansas Department of Finance and Administration to reimburse state employees for travel by private aircraft.
- L. Business and professional association dues. These dues are limited to associations devoted exclusively to issues of recipient care.
- M. Outside training costs. These costs are limited to direct costs (transportation, meals, lodging, and registration fees) for training provided to personnel rendering services directly to the recipients or staff of individual facilities. To qualify as an allowable cost, the training must be:
1. located within the State of Arkansas or a contiguous state within 250 miles of the facility; and
 2. related to recipient care; and
 3. related to the employee's duties in the facility.
- N. Costs incurred by members of the facility governing body to attend meetings at the facility or, if the governing body is responsible for more than one facility, at a location central to such facilities. Allowable costs are limited to a maximum of four meetings per calendar or facility fiscal year, are limited to meetings during

which facility management and operations related to resident care constitute the majority of business discussed, and may not exceed the amounts payable to members of state boards pursuant to Ark. Code Ann. §25-16-901 and Ark. Code Ann. §25-16-902 for travel to and attendance at state board meetings.

- O. Interest expense on working capital loans: Working capital is defined as funds borrowed to meet the expenses of daily operations. Working capital interest expense is not allowable on loan amounts up to and including the amount of equity withdrawn from the facility during the six months preceding the working capital loan or during the term of the working capital loan. For purposes of this paragraph, equity withdrawals do not include withdrawals necessary to pay allowable facility salaries or withdrawals necessary to make federal and state tax payments. The allowance for federal and state taxes will be limited to no more than 30 percent of the net income reported on the most recent Form 5.

Amounts paid in excess of allowable salaries will be considered a withdrawal of equity. Net income must be adjusted for salaries in excess of allowable.

No working capital interest will be allowed when the facility has cash on hand equal to or greater than two months' operating expenses.

- P. Costs determined by the DHS audit staff to have been claimed under circumstances identical in all material respects to costs that have been allowed by final appeal decision. An appeal decision is final if no additional appeal is provided for by law, or if the time to file an additional appeal has expired.

3-3 List of Unallowable Costs

The following list of unallowable costs is not all inclusive, but rather serves as a general guide and clarifies certain key expense areas. The absence of a particular item does not necessarily mean that it is an allowable cost. Except where specific exceptions are noted, the allowability of all costs is subject to the general principle specified in section 3-1 of this chapter.

- A. Compensation in the form of salaries, benefits, or any form of perquisite provided to owners, partners, officers, directors, stockholders, employees, or others who do not provide services necessary to facility operations or recipient care;
- B. Personal expenses not related to the provision of long-term recipient care in a facility;
- C. Costs for a private duty nurse or sitter;

- D. Forms of compensation that are not clearly enumerated as to dollar amount or which represent profit distributions;
- E. Management fees paid to a related organization that exceed the actual cost of materials, supplies, or services;
- F. Costs of advertising to the general public which are intended to attract residents to the facility (for example: advertising in the yellow pages of the telephone directory exceeding the advertisement that is free with a business line).

The cost of advertising related to classified advertisements for labor and supplies are allowable costs and should be included in the Administrative and Operating Expenses section;

- G. Business expenses not related to the care of recipient or necessary for the operation of a long-term care facility. This includes all costs of business investment activities, stockholder and public relations activities, and farm and ranch operations;
- H. Political contributions and lobbying expenses including any portion of professional or other association dues or fees which is used for these purposes;
- I. Depreciation and amortization of unallowable costs. This includes amounts in excess of those resulting from the straight-line method, capitalized lease expenses in excess of actual lease payments, and amortization of goodwill or any excess above the actual value of physical assets at the time of purchase;
- J. Amounts donated to charitable or other organizations;
- K. Dues to all types of organizations and associations not related to facility resident care;
- L. Entertainment expenses not related to resident care;
- M. Cost of radios and television sets used in the residents' rooms, or cost of providing cable TV to residents' rooms;
- N. Expense incurred for services provided in a facility but not related to long-term recipient care. This includes meals provided to others than recipients or facility employees as a part of an employment contract, nonmedical rentals, barber and beauty shop operations, canteens and gift shops, and vending machines;
- O. Retainers, and honorariums;

- P. Fines and penalties for violations of regulations, statutes, and ordinances of all types;
- Q. Fund raising and promotional expenses;
- R. Interest expenses on loans pertaining to unallowable items. Otherwise allowable interest expense on short-term indebtedness must be reduced or offset by interest income as specified in Section 3-4 of this Chapter;
- S. Insurance premiums pertaining to items of unallowable cost;
- T. Cost of life insurance on officers and key employees of the facility where the company is the direct or indirect beneficiary. The cost of premiums for term policies on the lives of key officers or employees will be allowable provided that securing such policies was a condition precedent to the provider's obtaining financing to improve resident facilities and when such condition is a customary business practice of the lender. However, these premiums will be considered allowable only to the extent that coverage equals the unpaid principal balance;
- U. Costs associated with portions of a facility that are not licensed as a NF or ICF/IID. Costs must be allocated between licensed and unlicensed portions of a facility based upon objective measures;
- V. Planning and evaluation expenses for the expansion of an existing facility or for new business opportunities. Expense will be capitalized and amortized on the records of the appropriate facility if actual construction occurs;
- W. Costs of motor vehicles, except as allowed in 3-2.K;
- X. Values assigned to the services of unpaid workers and volunteers;
- Y. Costs of purchases from a related party which exceed the lesser of the original cost to the related party or fair market value;
- Z. Out-of-state travel expenses, except as allowed in Section 3-2 M;
- AA. Legal and other costs associated with litigation between the provider and the state or federal agencies administering the Medicaid program;
- BB. Penalties and insufficient funds charges by banks;
- CC. Undocumented cost;
- DD. Federal, state, and local income taxes;

- EE. Prescription drugs;
- FF. Accounts receivable written off as uncollectable, including bad debts incurred from private pay residents, Medicare, or Medicaid recipients;
- GG. Personal telephone service;
- HH. Costs of owning, leasing or operating boats;
- II. Costs of chaplaincy training programs;
- JJ. Cosmetics;
- KK. Barber and beautician services provided by personnel not employed within the facility;
- LL. Dry cleaning services for residents.
- MM. Salaries, wages, and benefits paid for undocumented or duplicated duties, services, and management activities.
- NN. Interest related to the acquisition and retirement of treasury stock is not an allowable cost. Treasury stock is not an asset and should be carried on the balance sheet as a reduction of equity capital. All costs relating to the retirement of stock shall not be considered allowable. Transactions in stock or equity which benefit stockholders, partners, and ownership interest will not be recognized.
- OO. Interest expense, finance charges, and service charges on loans, mortgages, and bond issues, where the proceeds of such loans, mortgages, and bond issues are used to acquire stock ownership of additional facilities are not allowable costs.
- PP. Interest on proceeds from loans not necessary for facility operations or used for investments are not allowable costs.

3-4 Items That Will Reduce Allowable Costs

- A. Interest income on unrestricted funds will reduce interest expense on all short-term debt not to exceed interest expense. Short-term debt will be defined as debt having a term of 48 months or less.
- B. Grants, gifts, and income designated by the donor for specific operating expenses must be used as an offset to those specific operating expenses.

- C. Recovery of insured loss.
- D. The cost of the following items should be eliminated. In lieu of determining and eliminating costs, the related income may be used to offset costs.
 - 1. Income from laundry and linen service.
 - 2. Income from employee and guest meals.
 - 3. Income from the sale of drugs to other than residents.
 - 4. Income from the sale of medical and surgical supplies to other than residents.
 - 5. Income from the sale of medical records and abstracts.
 - 6. Income from space rented to employees and others.
 - 7. Payment received from specialists.
 - 8. Payments received from recipients for items not medically necessary to the recipient; i.e., tobacco, soft drinks, personal items, etc.
- E. Rebates and refunds of expenses.
- F. Trade, quantity, time, and other discounts on purchases.

3-5 Special Items to Meet Needs of Residents of ICF's/MR and the Arkansas Health Center Nursing Facility

- A. In addition to those items listed in Section 3-2, the following items will be allowable costs for ICF's/MR and the Arkansas Health Center Nursing Facility:
 - 1. Central medical supplies
 - 2. Dental Services
 - 3. Drugs and pharmacy
 - 4. Medical services, general physician
 - 5. Therapy: physical, occupational, psychiatric, psychological, and speech
 - 6. All training and habilitation services whether provided in-house or through contractual arrangements (i.e. vocational training, sheltered workshop, or day activity center).
 - 7. Actual costs of use of vehicles will be allowable to the extent that such costs meet the criteria set forth in Section 3-2.K.

B. In addition to the items listed above, the following items are allowable costs for the Arkansas Health Center Nursing Facility:

1. Actual costs of ambulance (escort services)
2. EEG and EKG services
3. Externs (residents serving internships)
4. Radiology

3-6 Direct Provider Payment Not Includable in Allowable Expenses

The direct costs of prescription drugs, physician, dental, dentures, podiatry, eye glasses, appliances, x-rays, laboratory, and any other materials or services for which benefits are offered by direct provider payment plans under Medical Assistance or Medicare Part B, CHAMPUS, Blue Cross-Blue Shield, various other insurers or third-party resources are not allowed.

3-7 Charges to Recipients, Relatives, or Recipient Representatives and Solicitations of Contributions from Medicaid Recipients

Facilities must not charge recipients, relatives, or recipient representatives for any item included in this manual as an allowable cost item. No provider participating in this program can solicit contributions, donations, or gifts directly from Medicaid recipients or family members. See 42 U.S.C. 1302a-7b (D), 42 U.S.C. 1396 (a) (g), 42 U.S.C. 447.15, 42 U.S.C. Part 1001, and 42 U.S.C. 1003.102 (b).

3-8 Point of Care Medication Management Software Applications (POCMM)

Effective November 1, 2007 software applications for medication management employing point of care technology is afforded special treatment for cost reporting periods beginning July 1, 2007. Characteristics of point of care technology include software applications installed on medication carts allowing point of care based medication management. The allowable cost of software and associated hardware (used exclusively for this application) required to operate a point of care software application will be treated as direct care cost for cost reporting purposes. All costs associated with the point of care application must continue to meet all allowable cost principles as defined in Chapter 3 including capitalization requirements. Chapter 4-A and Chapter 4-B of the state Manual of Cost Reimbursement Rules for Long Term Care Facilities dated July 1, 1999 include specific instructions on how these costs will be reported on provider cost reports.

Chapter 4-A Instructions for Filing Long-Term Care Nursing Facility Cost Report

4-1A Instructions

The DOM-400 cost reporting forms described below must be used by all long-term care Nursing Facilities participating in the Arkansas Medicaid Program. Medicare (Title XVIII) cost reporting forms are not acceptable in lieu of these forms. The forms can be found in **Section V** of the Arkansas Medicaid Provider Manuals by clicking the hyperlink within this sentence.

4-2A General Information

These instructions are for use in the preparation and submission of the cost report to the Division of Medical Services by all Nursing Facilities providing care and services under the Medical Assistance Program. All ICF/IID facilities will continue to use the Financial and Statistical Report, DHS-750 and applicable instructions.

Only per diem cost amounts calculated on Form 6, Line 12 and employee beginning hourly rates identified on Form 16, Column 4 will be reported/calculated in cents. All other dollar amounts must be rounded to the nearest dollar (no cents) upon transfer to the cost report.

Detailed schedules, calculations and descriptions for all cost report adjustments must be attached to the submitted cost report.

Cost report forms that are not applicable to a facility must be submitted with the other forms and identified as “Not Applicable” or “NA” on the unused form.

Facilities which are combined with or attached to other operations (hospitals, RCF’s, etc.) sometimes use one common accounting system and general ledger. For such facilities, adjusting entries must be made to the trial balance before the amounts are posted to the Nursing Facility cost report forms. The trial balance submitted with the cost report must reflect the general ledger amounts, any adjustments necessary to remove amounts applicable to other operations, and the net adjusted trial balance amounts applicable to the Nursing Facility. Copies of workpapers used to make these adjustments must be attached to the submitted trial balance. These workpapers will identify adjustment amounts, descriptions, ledger balances affected, and allocation methods used.

4-3A Instructions for Cost Report Forms

A. Form 1 General Information

1. I. Provider Facility

- a) Facility Name:
The true name of the long term care facility as licensed by the Department of Human Services, Division of Medical Services.
- b) Provider Number:
The facility's Medicaid provider number in effect for the dates of the cost report. This is the nine (9) digit number used to bill for Medicaid services.
- c) D/B/A:
The name by which the long term care facility operates (complete only if different from facility name above).
- d) State Vendor Number:
The facility's four (4) digit State Vendor Number.
- e) Address:
Facility's physical location address.
- f) County:
The county in which the facility is located.
- g) County Number:
The county's two (2) digit identification number.
- h) Administrator and AR License Number:
The facility's administrator at the close of the cost reporting period and their Arkansas license number.
- i) Phone:
Facility telephone number.
- j) Contact Person:
The person employed by the facility who should be contacted regarding the cost report and their telephone number.
- k) Report Period:
Identify the reporting period and the number of months covered by the cost report.
- l) Financial Records For Audit Are Located At
Identify where the financial records used to complete the cost report are located.
- m) All Correspondence and Desk Reviews Regarding This Cost Report Should Be Addressed To (Limited to one name and address):
List the name, address and telephone number of the person to whom

all correspondence, desk reviews, audits, etc. should be addressed.
Each facility is allowed only one name and address in this section.

2. II. Home Office

Complete this section only if the facility has a home office.

3. III. Management Company

Complete this section if the facility pays management fees. A narrative description of purchased management services or a copy of contracts for managed services must be submitted with the cost report in order for management fees to be allowed. Check the applicable identification as to whether the management company is related party or non-related.

4. IV. For Division of Medical Services use only

Do not complete this section.

B. Form 2 Certification by Officer or Administrator of Provider

The Certification by Officer or Administrator of Provider is required and must include an original signature (not a copy) by an authorized officer or the administrator of the facility. The cost report will not be deemed received by the Division of Medical Services if this certification has not been completed.

The cost report may be completed by the facility's employees, owners, independent accountants, or other qualified parties. If a Certified Public Accountant prepares the cost report, the cost report must be accompanied by the appropriate compilation, review or audit report. The cost report must be completed in addition to any other items required by the Guidelines for Financial and Compliance Audits of Programs Funded by the Arkansas Department of Human Services.

C. Form 3 Statistical Data

1. Line 1, 2, and 3

Check the appropriate blocks that apply to your facility. Check only one block on each of Lines 1 and 3. Line 2 must have a box checked on each of Lines A, B, C and D. Line 2B and/or 2C should be checked "Yes" if any owner (individual, partnership, corporation, etc.) of this facility with a 5% or greater ownership also owns a 5% or greater share of any other nursing facility/facilities.

2. Line 4.1, Resident Days by Payment Source

Complete the number of actual resident days by type of resident (payment source).

- a) Column (A) Total
Column (B) plus Column (C) plus Column (D) plus Column (E).
 - b) Column (B) Medicaid
All Medicaid reimbursed days will be identified here. This category will also include Medicaid reimbursed reserved bed days due to hospitalization and therapeutic home leave.
 - c) Column (C) Medicare
All Medicare reimbursed days will be identified here.
 - d) Column (D) Private Pay
All private pay reimbursed days by the resident, resident's family, etc. will be identified here. This category will also include private pay reimbursed reserved bed days due to hospitalization and home therapeutic leave.
 - e) Column (E) Other
All third party (VA, other insurance), hospice, respite care, etc. reimbursed days will be identified here. This category will also include other reimbursed reserved bed days due to hospitalization and home therapeutic leave.
3. Line 4.2, Resident Days by Level of Care
Complete the number of actual resident days by resident level of care - Column (A) Total resident days, Column (B) Skilled resident days, Column (C) Intermediate I resident days, Column (D) Intermediate II resident days, and Column (E) Intermediate III resident days. Line 4.2, Column A must agree with Line 4.1, Column A.
 4. Line 4.3, Medicaid Resident Days by Level of Care
Complete the number of Medicaid resident days by resident level of care - Column (A) Total Medicaid resident days, Column (B) Skilled resident days, Column (C) Intermediate I resident days, Column (D) Intermediate II resident days, and Column (E) Intermediate III resident days. Line 4.3, Column A must agree with Line 4.1, Column B.
 5. Lines 5 and 6
Identify the number of beds licensed at the beginning and end of the period. Temporary changes because of alterations, repairs, etc. do not affect bed capacity.
 6. Line 7
Complete if Lines 5 and 6 are different.
 7. Line 8
Compute the total licensed bed days available during the period by multiplying the number of beds available for the period by the number of

days in the period. Any increase or decrease in the number of beds must be taken into consideration as well as the number of days elapsed during each increase or decrease.

8. Line 9

The percentage of occupancy for the cost report period is computed by dividing the total resident days from Line 4.1, Column A by the bed days available on Line 8. The decimal place will be carried out to four places. Example - 92.31%.

9. Line 10

The percentage of Medicaid utilization is computed by dividing the total Medicaid days from Line 4.1, Column B by the total resident days from Line 4.1, Column A. The decimal place will be carried out to four places. Example - 92.31%.

D. Form 4 Resident Day Statistics

1. Section I

A resident day is the period of service for one resident for one day of care. For cost reporting purposes, a day paid is considered a resident day. This means that a paid reserved bed will be counted toward total resident days. Examples of paid reserved beds include resident leave of absences from the facility to the hospital or therapeutic home visit that are paid by any source.

The day of the resident's admission is counted but the day of discharge is not counted as a resident day. When a resident is admitted and discharged on the same day, this period must be counted as one resident day.

a) Column 2

List Medicaid resident days for the reporting period by month. The total of this column must agree with Form 3, Line 4.1, Column B.

b) Column 3

List Medicare resident days for the reporting period by month. The total of this column must agree with Form 3, Line 4.1, Column C.

c) Column 4

List private pay resident days for the reporting period by month. The total of this column must agree with Form 3, Line 4.1, Column D.

d) Column 5

List all other types of resident days for the reporting period by month. The total of this column must agree with Form 3, Line 4.1, Column E.

- e) Column 6
Total of Columns 2, 3, 4, and 5. The total of this column must agree with Form 3, Line 4.1, Column A.
- f) Column 7
List the total number of bed days available for each month. The total of this column must agree with Form 3, Line 8.
- g) Column 8
Divide the Total Resident Days in Column 6 by the Bed Days Available in Column 7 for each line. The "Total" Line for this column must agree with Form 3, Line 9. The decimal place will be carried out to four places. Example - 92.31%.

2. Section II.

List the facility's third party daily rates for both private rooms and semi-private rooms that were effective during the reporting period. The list should include all rates that were effective during the reporting period. Also list the number of resident days by level of care by payor source and room type. The resident days by payor source and room type plus Medicaid days by level of care must equal Form 3, Line 4.2.

E. Form 5 Statement of Revenues

All revenue, regardless of source, is to be entered on the appropriate line in Column 1 on this schedule and should agree with the revenue and adjustment account balances recorded on the submitted adjusted trial balance. As described in Section 3-4, adjustments to specific expenses per revenue amounts can be identified in Column 2 in lieu of determining and eliminating the actual cost. Column 3 is to be used to identify which Form 6 line number is being adjusted if the revenue is used to reduce the expense. Provide a separate detailed schedule for Form 6 line number corresponding adjustment amounts when more than one Form 6 line number is to be adjusted.

- 1. Line 1, Resident Per Diem/Monthly Rate
Medicaid, Private, Medicare Part A, and other Third Party amounts received and receivable for services/supplies usually reimbursed on a per diem or monthly basis.
- 2. Line 2, Medicare Part A
Physical Therapy, Occupational Therapy, Speech Therapy, medical supplies and other ancillary services/supplies billed separately to Medicare Part A.
- 3. Line 3, Medicare Part B
Physical Therapy, Occupational Therapy, Speech Therapy and medical supplies amounts received and receivable for Medicare Part B reimbursed services.

4. Line 4, Other Third Party Ancillaries (Schedule)
Amounts received and receivable for other ancillary services/supplies/therapies/medical supplies when paid separately from a resident's all inclusive per diem or monthly payment. Amounts received from the sale of other ancillary supplies/services to employees or other non-residents will be included here. Attach a detail schedule of adjustments made for other third party ancillaries.
5. Line 5, Less: Total Contractual Adjustments, Allowances and Discounts on Patients' Accounts.
6. Line 6, Pharmacy
Amounts received and receivable for drugs and pharmaceuticals from residents, employees or other non-residents.
7. Line 7, Beauty and Barber
Amounts received and receivable for beauty and barber services.
8. Line 8, Contributions, Gifts, Grants, etc.
Amounts received from contributions, gifts, grants, etc.
9. Line 9, Guest and Employee Meals
Amounts received and receivable for guest and employee meals.
10. Line 10, Interest
Interest Income earned per savings accounts, bonds, etc.
11. Line 11, Laundry
Amounts received and receivable for laundry services.
12. Line 12, Personal Items
Amounts received and receivable from the sale of personal items.
13. Line 13, Nurse Aide Training and Testing
Amounts received and receivable for nurse aide training and testing.
14. Line 14, Rental
Amounts received and receivable for rental.
15. Line 15, Television (Resident Rooms)
Amounts received and receivable for television services.
16. Line 16, Telephone
Amounts received and receivable for telephone services.
17. Line 17, Vending Machines
Amounts received and receivable from vending machine sales.

18. Line 18, Criminal Records Check
Amounts received and receivable for criminal records checks.
19. Line 19, Other (Schedule)
Amounts received and receivable for other. Attach a detail schedule of other income items.
20. Line 20, Total Revenue
Sum of Lines 1 through 19.
21. Line 21, Less: Total Operating Expenses
Amount per Form 6, Line 6, Column 1.
22. Line 22, Net Income (Loss) Per Books
Line 20 less Line 21.
23. Line 23, Less: Net Related Party Adjustments
Amount per Form 6, Line 6, Column 3.
24. Line 24, Other Adjustments (Schedule)
Any other necessary adjustments including excess direct compensation as described in Sections 3-2.B. and 3-2.O.
25. Line 25, Adjusted Net Income (Loss)
Line 22 plus/minus Line 23 and 24 adjustments.

F. Form 6 Schedule of Expenses

Column 1 - Enter the expenses per the adjusted trial balance on the appropriate line. Do not net general ledger expenses by omitting from the first column any non-allowable items. Columns 2 and 5 must be used to reclassify or adjust out any non-allowable items. Line 6, Column 1 must agree with Form 5, Line 21.

Column 2 - This column is for any reclassification that should be made between expenses. The total for Column 2 on Line 6 must be zero.

Column 3 - This column is used to make adjustments for related party expenses. Example - to remove unallowable related party rent included on Line 3-09 or 3-10 and record the actual cost of amortization, depreciation, interest, property insurance and property taxes on Lines 3-01, 3-02, 3-03, 3-04, 3-05, 3-06 and 3-08. This column will include the total net adjustments to allowable cost for related management company/home office expense reported on Line 2-50.

Column 4 - Column 1 plus or minus Column 2 and Column 3.

Column 5 - Adjustments to expenses will be entered in Column 5. These adjustments will include Form 5 revenue adjustments and unallowable expenses, etc. This

column will include adjustments for excess direct facility compensation as described in Section 3-2.B.

Column 6 - Column 4 plus or minus Column 5 adjustments.

1. Form 6, Section 1 Direct Care Expenses

Line 1-01, Salaries - Aides

Salaries of certified nurse aides and nurse aides in training.

Line 1-02, Salaries – Medication Assistants

Salaries of Medication Assistants-Certified

Line 1-03, Salaries - LPN's

Salaries of licensed practical nurses and graduate practical nurses.

Line 1-04, Salaries - RN's (exclude DON and Assistant DON)

Salaries of registered nurses and graduate nurses (excluding the DON and Assistant DON).

Line 1-05, Salaries - Assistant Director of Nursing

Salaries of the Assistant Director of Nursing.

Line 1-06, Salaries - Director of Nursing

Salaries of Director of Nursing.

Line 1-07, Salaries - Occupational Therapists

Salaries of occupational therapists. Therapy costs which are reimbursed by Medicare Part A, Medicare Part B or a third party payer should be reclassified to Line 5-11.

Line 1-08, Salaries - Physical Therapists

Salaries of physical therapists. Therapy costs which are reimbursed by Medicare Part A, Medicare Part B or a third party payer should be reclassified to Line 5-11.

Line 1-09, Salaries - Speech Therapists

Salaries of speech therapists. Therapy costs which are reimbursed by Medicare Part A, Medicare Part B or a third party payer should be reclassified to Line 5-11.

Line 1-010, Salaries - Other Therapists

Salaries of therapists other than occupational therapists, physical therapists and speech therapists. Therapy costs which are reimbursed by Medicare Part A, Medicare Part B or a third party payer should be reclassified to Line 5-11.

- Line 1-11, Salaries - Rehabilitation Nurse Aides
Salaries of rehabilitation nurse aides and/or Health Rehabilitative Nurse Aides.
- Line 1-12, FICA - Direct Care
Cost of employer's portion of Social Security Tax for direct care employees.
- Line 1-13, Group Health - Direct Care
Cost of employer's contribution to employee health insurance for direct care employees.
- Line 1-14, Pensions - Direct Care
Cost of employer's contribution to employee pensions for direct care employees.
- Line 1-15, Unemployment Taxes - Direct Care
Cost of employer's contribution to State and Federal unemployment taxes for direct care employees.
- Line 1-16, Uniform Allowance - Direct Care
Employer's cost of uniform allowance and/or uniforms for direct care employees.
- Line 1-17, Worker's Compensation - Direct Care
Cost of worker's compensation insurance for direct care employees.
- Line 1-18, Other Fringe Benefits - Direct Care (Schedule)
Cost of other fringe benefits not specifically noted on Line 1-11 through 1-16. A schedule must be attached that details the amount on this line.
- Line 1-19, Contract - Aides
Cost of aides hired through contract that are not facility employees.
- Line 1-20, Contract – Medication Assistants
Cost of Medication Assistants-Certified hired through contract that are not facility employees.
- Line 1-21, Contract - LPN's
Cost of LPN's and graduate practical nurses hired through contract that are not facility employees.
- Line 1-22, Contract - RN's
Cost of RN's and graduate nurses hired through contract that are not facility employees.

Line 1-23, Contract - Occupational Therapists

Cost of occupational therapists hired through contract that are not facility employees. Therapy costs, which are reimbursed by Medicare Part A, Medicare Part B or a third party payer, should be reclassified to Line 5-11.

Line 1-24, Contract - Physical Therapists

Cost of physical therapists hired through contract that are not facility employees. Therapy costs, which are reimbursed by Medicare Part A, Medicare Part B or a third party payer, should be reclassified to Line 5-11.

Line 1-25, Contract - Speech Therapists

Cost of speech therapists hired through contract that are not facility employees. Therapy costs, which are reimbursed by Medicare Part A, Medicare Part B or a third party payer, should be reclassified to Line 5-11.

Line 1-26, Contract - Other Therapists

Cost of therapists other than occupational therapists, physical therapists and speech therapists hired through contract that are not facility employees. Therapy costs, which are reimbursed by Medicare Part A, Medicare Part B or a third party payer, should be reclassified to Line 5-11.

Line 1-27, Consultant Fees - Nursing

Fees paid to nursing personnel, not on the facility payroll, for providing advisory and educational services to the facility.

Line 1-28, Training – Direct Care (Schedule)

Cost of training related to resident care for RN's, LPN's and Certified Nurse Aides. Also includes travel costs associated with this training. Training cost for Nurse Aide certification should be on Line 5-10, non-allowable nurse aide training. A detailed schedule must be submitted that agrees with the amount on this line. The schedule will include for each expenditure the date, description of training, destination, person traveling, expense description, and the cost.

Line 1-29, Over-the-Counter Drugs

Cost of over-the-counter drugs provided by the facility to its residents.

Line 1-30, Oxygen

Cost of oxygen and related supplies.

Line 1-31, Medical Supplies - Direct Care

Cost of providing direct medical care. Includes by illustration:

- Single use disposable items and consumable supplies that are used in the course of providing direct medical care to a resident, such as catheters, syringes, sterile dressings, prep supplies, alcohol pads, Betadine solution in bulk, tongue depressors, and cotton balls.
- Pressure relieving devices that cannot be used by more than a single resident or that would be classified as minor equipment.
- Minor medical equipment used in providing direct medical care such as thermometers, sphygmomanometers, stethoscopes, etc.
- Costs of supplies for which Medicare Part B revenue is received must be reclassified to Line 5-11 in Column 2 or removed in Column 5 per Form 5 revenue adjustments.

Cost associated with point of care software applications.

- Cost of operating a point of care software application that does not require capitalization.
- Depreciation of capitalized cost associated with a point of care software application reclassified from Section 3.
- Interest expense associated with a point of care software application reclassified from Section 3.
- Rent expense associated with a point of care software application reclassified from Section 3.

Line 1-32, Therapy Supplies

The cost of supplies used directly by the therapy staff for rendering therapeutic service to the residents of the facility. Costs of therapy supplies for which other third party income is received (Medicare Part A, Medicare Part B, etc.) must be reclassified to Line 5-11 in Column 2 or removed in Column 5 per Form 5 revenue adjustments.

Line 1-33, Raw Food

Cost of food products used to provide meals and snacks to residents.

Line 1-34, Food - Supplements

Cost of food products given in addition to normal meals and snacks under doctor's orders.

Line 1-35, Incontinence Supplies

Cost of incontinence supplies to include both disposable and linen diapers, and disposable underpads.

Line 1-36, Dental (Schedule)

Cost of dentist advisory services (not individual resident specific). All other dental expenses must be reclassified to Line 5-11 in Column 2. A schedule must be attached that details the amount on this line.

For Arkansas Health Center Nursing Facility (AHC), all dental services are allowable.

Line 1-37, Drugs Legend

Cost of prescription drugs are allowable only for AHC. Other nursing facilities must reclassify these costs to Line 5-11 in Column 2.

Line 1-38, Lab and X-Ray

Cost of lab and x-ray services are allowable only for AHC. Other nursing facilities must reclassify these costs to Line 5-11 in Column 2.

Line 1-39, Total Direct Care Costs

Line 1-39 is the sum of Line 1-01 through Line 1-38.

2. Form 6, Section 2 Indirect, Administrative and Operating Cost

Line 2-01, Salaries - Administrator

Salaries of licensed administrators excluding owners.

Line 2-02, Salaries - Assistant Administrator

Salaries of licensed assistant administrators excluding owners.

Line 2-03, Salaries - Dietary

Salaries of kitchen personnel including dietary supervisor, cooks, helpers and dishwashers.

Line 2-04, Salaries - Housekeeping

Salaries of housekeeping personnel including housekeeping supervisors and staff.

Line 2-05, Salaries - Laundry

Salaries of laundry personnel including laundry supervisor and staff.

Line 2-06, Salaries - Maintenance

Salaries of personnel involved in operating and maintaining the physical plant, including maintenance supervisor and staff.

Line 2-07, Salaries - Medical Records

Salaries of medical records personnel.

Line 2-08, Salaries - Other Administrative

Salaries of other administrative personnel including bookkeeper, receptionist, administrative assistants and other office and clerical personnel.

Line 2-09, Salaries - Activities

Salaries of personnel providing an ongoing program of activities designed to meet, in accordance with the comprehensive assessment, the interest and the physical, mental, and psychosocial well being of the residents.

Line 2-10, Salaries - Pharmacy

Salaries of pharmacy employees (AHC only).

Line 2-11, Salaries - Social Services

Salaries of personnel providing medically related social services to

attain or maintain the highest practicable physical, mental or psychosocial well being of the residents.

Line 2-12, Salaries - Owner or Owner/Administrator
Salaries of all owners of the facility.

Line 2-13, FICA - Indirect, Administrative and Operating
Cost of employer's portion of Social Security Tax for administration and operating employees.

Line 2-14, Group Health - Indirect, Administrative and Operating
Cost of employer's contribution to employee health insurance for administration and operating employees.

Line 2-15, Pensions - Indirect, Administrative and Operating
Cost of employer's contribution to employee pensions for administration and operating employees.

Line 2-16, Unemployment Taxes - Indirect, Administrative and Operating
Cost of employer's contribution to State and Federal unemployment taxes for administration and operating employees.

Line 2-17, Uniform Allowance - Indirect, Administrative and Operating
Employer's cost of uniform allowance and/or uniforms for administration and operating employees.

Line 2-18, Worker's Comp - Indirect, Administrative and Operating
Cost of worker's compensation insurance for administration and operating employees.

Line 2-19, Other Fringe Benefits - Indirect, Administrative & Operating (Schedule)
Cost of other fringe benefits not specifically noted on Line 2-13 through 2-18. A schedule must be attached that details the amount on this line.

Line 2-20, Contract - Dietary
Cost of dietary services and personnel hired through contract that are not facility employees.

Line 2-21, Contract - Housekeeping
Cost of housekeeping services and personnel hired through contract that are not facility employees.

- Line 2-22, Contract - Laundry
Cost of laundry services and personnel hired through contract that are not facility employees.
- Line 2-23, Contract - Maintenance
Cost of maintenance services and personnel hired through contract that are not facility employees.
- Line 2-24, Consultant Fees - Dietitian
Fees paid to consulting registered dietitians.
- Line 2-25, Consultant Fees - Medical Records
Fees paid to consulting Accredited Records Technicians or Medical Records Administrators.
- Line 2-26, Consultant Fees - Activities
Fees paid to activities personnel, not on the facility payroll, for providing advisory services to the facility.
- Line 2-27, Consultant Fees - Medical Director
Fees paid to a medical doctor, not on the facility payroll, for providing advisory, educational and emergency medical services to the facility.
- Line 2-28, Consultant Fees - Pharmacy
Fees paid to a registered pharmacist, not on the facility payroll, for providing advisory and educational services to the facility.
- Line 2-29, Consultant Fees - Social Worker
Fees paid to a social worker, not on the facility payroll, for providing advisory and educational services to the facility.
- Line 2-30, Consultant Fees - Therapists
Fees paid to licensed therapists, not on the facility payroll, for providing advisory and educational services to the facility.
- Line 2-31, Barber and Beauty Expense - Allowable
The cost of barber and beauty services provided to residents by facility staff.
- Line 2-32, Transportation
In lieu of actual costs, the facility may report on this line allowable amounts claimed (rate per mile) for facility owned or other vehicles used in providing residents medical transportation to local "community" providers or used for business related mileage (as described in Section 3-2.K).

This line should also include cost of providing residents medical transportation to local “community” providers when the facility obtains this service from an outside source.

Line 2-33, Resident Activities

Cost of resident activities should include pastoral services, recreational activities and supplies.

Line 2-34, Care Related Supplies

Personal hygiene items such as soaps, deodorants, shampoos, toothbrush, toothpaste, razor, razor blades etc. Includes minor equipment provided by the facility that is not used in providing direct medical care such as water pitchers, wash basin, emesis basin, bedpan, urinal. hot water bottles, heating pads, crutches, walkers, etc. Includes nurse charting forms, admission forms, medication and treatment records, physician order forms.

Line 2-35, Accounting Fees

Fees incurred for the preparation of the cost report, audits of the financial records, bookkeeping services, tax return preparation of the nursing facility and other related services, excluding personal tax planning and personal tax return preparation.

Line 2-36, Advertising for Labor/Supplies

Allowable advertising expense.

Line 2-37, Amortization Expense - Non-Capital (Schedule)

Costs incurred for legal and other expenses when organizing a corporation should be amortized over a period of 60 months. Attach a detail amortization schedule for these costs. These costs are not to be included on the For 7 depreciation schedule.

Line 2-38, Bank Service Charges

Fees paid to banks for service charges, excluding penalties and insufficient funds charges.

Line 2-39, Criminal Records Checks

Cost of Criminal Records Checks for employees and job applicants.

Line 2-40, Data Processing Fees

Cost of purchased services for data processing systems and services.

Line 2-41, Dietary Supplies

Costs of consumable items such as soap, detergent, napkins, paper cups, straws, etc. used in the dietary department.

Line 2-42, Dues (Schedule)

A detailed schedule of dues must be included. The schedule should include the dates and purpose covered by the charge.

Line 2-43, Educational Seminars and Training

The cost of registration for attending non-direct care related educational seminars and training by employees of the facility and costs incurred in the provision of non-direct care related in-house training for facility staff. The cost of any travel incurred to attend an educational seminar will be included on Line 2-56, Travel.

Line 2-44, Governing Body (Schedule)

Costs incurred by members of the facility governing body to attend meetings. Attach a detail schedule of the members' names and costs incurred.

Line 2-45, Housekeeping Supplies

Cost of consumable housekeeping items including waxes, cleaners, soap, brooms and lavatory supplies.

Line 2-46, Laundry Supplies

Cost of consumable goods used in the laundry including soap, detergent, starch and bleach.

Line 2-47, Legal Fees (Schedule)

Fees paid to attorneys in accordance with other provisions of the State Plan. A schedule must be attached that details the amount on this line.

Line 2-48, Linen and Laundry Alternatives

Cost of mattress covers, sheets, blankets, pillows, and gowns.

Line 2-49, Miscellaneous (Schedule)

Costs incurred in providing nursing facility services that cannot be assigned to any other line item on Form 6. A schedule must be attached that details the amount on this line.

Line 2-50, Management Fees and Home Office Costs

The cost of purchased management services or home office costs incurred that are allocable to the provider. See Form 15 for calculation of allowable home office costs.

Line 2-51, Office Supplies and Subscriptions

Cost of consumable goods used in the business office such as pencils, paper, and computer supplies. Cost of printing forms and stationery including accounting and census forms, charge tickets, facility letterhead and billing forms. Cost of subscribing to newspapers, magazines and periodicals.

Line 2-52, Postage

Cost of postage, including stamps, metered postage, freight charges and courier services.

Line 2-53, Repairs and Maintenance

Supplies and services, including electricians, plumbers, extended service agreements, etc., used to repair the facility building, furniture, equipment, vehicles and vehicle insurance.

Line 2-54, Taxes - Other (Schedule)

The cost of property taxes on automobiles and other taxes paid that are not included on any other line on Form 6. A schedule must be attached to the cost report in order for the costs to be considered in the determination of allowable costs.

Line 2-55, Telephone and Communications

Cost of telephone services, WATS lines and FAX services.

Line 2-56, Travel (Schedule)

Cost of travel (airfare, lodging, meals, etc.) by Administrator and other authorized personnel to attend professional and continuing educational seminars and meetings related to their position within the facility. A detailed schedule must be submitted that agrees with the amount on this line. The schedule will include for each expenditure the date, destination, person traveling, purpose of the trip, expense description, and the cost.

Line 2-57, Utilities

Cost of water, sewer, gas, electric, and garbage collection services. Cost of television and cable services for common use areas in the facility.

Line 2-58, Depreciation – Vehicles and Software

Depreciation on the facility's vehicles and software. Column 6 of Line 2-58 must agree with Form 7, Page 3, Vehicle Depreciation line, Column 5 and Form 7, Page 3, Software Depreciation line, Column 5.

Line 2-59, Interest – Working Capital, Vehicles and Software

Interest paid on short term borrowing for facility operations. Also, interest paid or accrued on loans, the proceeds of which were used to purchase vehicles or software. The total of Line 2-59, Column 6, must agree with the Form 10, Page 3, Totals Column, Line 12.

Line 2-60, Total Indirect, Administrative and Operating Costs

Line 2-60 is the sum of Line 2-01 through Line 2-59.

3. Form 6, Section 3 Property

Amounts for depreciation, Rent – Building and Rent – Furniture and Equipment must be identified for historical purposes only. A Fair Market Rental Payment is made in lieu of these expenses.

Line 3-01, Amortization Expense - Capital (Schedule)

Legal and other costs incurred when financing the facility should be amortized over the life of the mortgage. Attach a detail amortization schedule for these costs. These costs are not to be included on the Form 7 depreciation schedule.

Line 3-02, Depreciation – Fair Market Rental

Depreciation on the facility's buildings, furniture, equipment, leasehold improvements and land improvements. Items costing \$2,500 or more will be capitalized.

Depreciation expense associated with point of care software applications must be reclassified to Line 1-29.

Line 3-03, Depreciation – Generator

Depreciation on generators approved by the Office of Long Term Care under Act 1602 of 2001.

Line 3-04, Interest Expense – Fair Market Rental

Interest paid or accrued on notes, mortgages and other loans, the proceeds of which were used to finance the fixed assets or major movable equipment. The total of Line 3-04, Column 6 must agree with the Form 10, Page 3, Totals Column, Line 10.

Interest expense associated with point of care software applications must be reclassified to Line 1-29.

Line 3-05, Interest Expense – Generator

Interest paid or accrued on notes the proceeds of which were used to purchase a generator approved by the Office of Long Term Care under Act 1602 of 2001. The total of Line 3-05, Column 6 must agree with the Form 10, Page 3, Totals Column, Line 11.

Line 3-06, Property Insurance

Cost of fire and casualty insurance on facility buildings and equipment.

Line 3-07, Professional Liability Insurance

Cost of premiums for insuring the facility against injury and malpractice claims. The allowable insurance premium cost for nursing facilities (excluding Arkansas Health Center) is capped at \$2,500 per licensed bed as of the end of the cost reporting period.

Line 3-08, Property Taxes

Taxes levied on the facility's land, buildings, furniture and equipment.

Line 3-09, Rent - Building

Cost of leasing the facility's real property.

Line 3-10, Rent - Furniture and Equipment

Cost of leasing the facility's furniture, equipment and vehicles.

Rent expense associated with point of care software applications must be reclassified to Line 1-29.

Line 3-11, Total Property

Line 3-11 is the sum of Line 3-01 through Line 3-10.

4. Form 6, Section 4 Quality Assurance Fee

Cost of the quality assurance fee paid monthly to the Department Human Services.

5. Form 6, Section 5 Non-Allowable Costs

Line 5-01, Advertising

Costs of unallowable advertising.

Line 5-02, Bad Debts

Accounts receivable written off as uncollectable.

Line 5-03, Barber and Beauty Expense

The cost of barber and beauty services provided by non-facility personnel.

Line 5-04, Contributions

Amounts donated to charitable or other organizations.

Line 5-05, Depreciation Over Straight Line

Depreciation charged above straight line. Amounts posted to this line should result from reclassifications (Column 2) from Line 3-02. Column 1 should equal zero.

Line 5-06, Income Taxes - State and Federal

Taxes on net income levied or expected to be levied by the Federal or State government.

Line 5-07, Insurance - Officers

Cost of unallowable life insurance on officers and key employees of the facility per Section 3-3.T.

Line 5-08, Non-Working Officer's Salaries

Salaries and other compensation paid to non-working officers.

Line 5-09 and 5-10, Nurse Aide Testing and Training

Costs incurred in having nurse aides tested or trained in order to meet OBRA 1987 provisions. This includes both the Medicaid and non-Medicaid portion of the expenses. Example - A nursing facility incurs

\$1,000 in allowable expenses for nurse aide training. A bill is submitted to the Division of Medical Services for direct reimbursement. Based on the facility's percentage of Medicaid utilization, the facility was eligible for 80% reimbursement. A payment was made to the facility in the amount of \$800 (\$1,000 X 80%) for the Medicaid portion of the nurse aide training expense. The \$1,000 should be included in non-allowable costs and the \$800 reimbursement should be included on Form 5, Line 13. The same principles apply to Nurse Aide Testing Costs and reimbursements from the contracted testing company.

Line 5-11, Other Non-Allowable Costs

Other costs that are considered non-allowable in accordance with other provisions of the State Plan (products sold to residents, etc.).

Line 5-12, Penalties & Sanctions

Includes by way of illustration, penalties and sanctions assessed by the Division of Medical Services, the Internal Revenue Service, the State Tax Commission, or financial institutions (i.e., insufficient funds charges).

Line 5-13, Television & Cable (Resident Rooms)

Cost of television sets used in the residents' rooms or for providing cable TV to the residents' rooms.

Line 5-14, Vending Machines

Cost of items sold to employees, residents and the general public including candy bars and soft drinks.

Line 5-15, Goodwill

Amortization of Goodwill costs. These costs are not to be included on the Form 7 depreciation schedule.

Line 5-16, Total Non-Allowable Costs

Line 5-16 is the sum of Line 5-01 through Line 5-15.

6. Form 6, Section 6 Total Costs

Line 6, Total Costs

Line 6, is the total of 1-39, 2-60, 3-11, 4, and 5-16. Column 1 must agree with the total expenses in the adjusted trial balance.

7. Form 6, Page 8 Computation of Cost per Day

Line 7, Total Resident Days

Enter the number of total resident days from Form 3, Line 4.1, Column A.

Line 8, Direct Care Costs

Enter in Column A, the cost from Line 1-37, Column 6. Column B (Direct Care cost per day) is calculated by dividing Line 8, Column A by Line 7.

Line 9, Indirect, Administrative and Operating Costs

Enter in Column A, the cost from Line 2-60, Column 6. Column B (Indirect, Administrative and Operating cost per day) is calculated by dividing Line 9, Column A by Line 7.

Line 10, Property Costs

Enter in Column A, the cost from Line 3-11, Column 6. Column B (Property cost per day) is calculated by dividing Line 10, Column A by Line 7.

Line 11, Quality Assurance Fee

Enter in Column A, the cost from Line 4, Column 6. Column B (Quality Assurance Fee cost per day) is calculated by dividing Line 11, Column A by Line 7.

Line 12, Total Costs

Line 12, Column A is the total of Lines 8, 9, 10 and 11, Column A. This total should agree with Line 6, Column 6. Total Per Diem Cost is calculated by dividing Line 12, Column A by Line 7.

G. Form 7 Schedule of Fixed Assets and Depreciation

Depreciation expense will be reported on Form 7, Pages 1, 2, and 3 by asset category/description. Pages 1 and 2 are to be used to report separately the depreciation expense incurred for facility owned assets (Page 1) and the depreciation expense incurred for related party owned assets (Page 2). All assets must be reported on these two pages. Page 3 is to be completed by adding Page 1 and Page 2 together. A copy of the facility's depreciation schedule must be attached to the cost report and should identify and reconcile with amounts posted to Form 7, Page 1 by asset category. A separate depreciation schedule for the related party assets reported on Page 2 must also be attached and should identify and reconcile with amounts posted to Form 7, Page 2 by asset category. The depreciation schedule(s) must be completed using the straight-line method and will reflect the same period as the cost report and will include the asset description, acquisition date, historical cost, salvage value if used, depreciable base, useful life, cost report period, depreciation expense claimed, and accumulated depreciation to date. Straight-line depreciation is the only method allowable for cost reporting purposes.

Assets purchased (not leased) from related parties will be included on Page 1 but are subject to related party cost limits identified in Section 3-1.F.2. These assets should be included in Column 1 of Page 1, but adjusted to the related party allowable amounts per Column 4 adjustments.

For Nursing Facilities which are combined with/attached to other operations (hospitals, RCF's, etc.), assets used only by these other operations should not be included on Form 7, Columns 1 through 5. Common used assets should be included on Form 7, Columns 1 through 5, but only for the amounts allocated to the Nursing Facility. Copies of workpapers/schedules used to make these allocations must be attached to Form 7 and the depreciation schedules. These workpapers/schedules will identify the common assets used, allocated amounts, descriptions and allocation methods used.

All vehicles and generators approved by the Office of Long Term Care under Act 1602 of 2001 must be listed separately on their designated Form 7 line. Vehicle depreciation is subject to the limits identified in Section 3-2 K.2.

1. Description of Property

- a) Historical Cost - Column 1
Enter the actual cost of the assets. The facility owned asset amounts reported on Form 7, Page 1 must agree with the facility's adjusted trial balance recorded asset amounts.
- b) Ending Accumulated Depreciation - Column 2
The total accumulated depreciation calculated using the straight-line method will be reported in this column.
- c) Depreciation Expense - Column 3
The depreciation expense using the straight-line method will be reported in this column. The total of this column on Form 7, Page 1 plus any amount reclassified to Form 6, Line 5-05 (Depreciation over straight-line), Column 2 will agree with the total depreciation posted to the adjusted trial balance per Form 6, Line 2-58, Column 1, Line 3-02, Column 1 and Line 3-03, Column 1.
- d) Other Adjustments (Schedule) – Column 4
Use this column to record adjustments for unallowable vehicles, allocated unallowable vehicles per usage, mobile homes, RV's, etc. Use this column also to record adjustments to depreciation expense for gains or losses from the sale/disposal of assets. The total of the adjustments in this column will agree with adjustments reported on Form 6, Lines 2-58, 3-02, and 3-03 Column 5. A schedule must be attached that details the adjustment amounts.

- e) Facility Related Depreciation - Column 5
Column 3 plus or minus Column 4 adjustments.

2. After Form 7, Pages 1, 2, and 3 are complete,

- a) Form 7, Page 3, Column 3 (Total) will equal to Form 6, Lines 2-58, 3-02 and 3-03, Column 4.
- b) Form 7, Page 3, Column 4 (Total) will equal to Form 6, Lines 2-58, 3-02 and 3-03, Column 5.
- c) Form 7, Page 3, Column 5 (Total) will equal to Form 6, Lines 2-58, 3-02 and 3-03, Column 6.

3. Any Assets included on Form 7, Page 1 that are not related to resident care must be identified on the bottom of Form 7, Page 1.

H. Form 8 Facility Transactions with Related Organizations

1. Section I.

All providers must complete this section. If yes, complete Sections II. and III.

2. Section II.

Identify those costs that contain expenditures for services or supplies furnished to the facility by related organizations per Section 3-1.F.2. Indicate the form number and line number to designate the location of the expense. Provide the name of the related organization, the amount of current year transactions, the cost to the related organization, and the amount of the transactions in excess of cost. The amount of transactions in excess of cost must be transferred to the appropriate line on Form 6 as an adjustment in Column 3. For example, if a facility purchased services or supplies from a related organization for \$500 and the cost of those services or supplies to the related organization was \$300, the excess over cost, or \$200, must be transferred to the appropriate line on Form 6 as a Column 3 adjustment to offset the expense.

Adjustments to expenses will be made to the appropriate line on Form 6, Column 3 for all related party expense adjustments. For related party lease agreements, unallowable lease costs should be removed in total on Lines 3-09 and 3-10, and the actual cost of amortization, depreciation, interest, property insurance and property taxes should be posted to Lines 3-01, 3-02, 3-03, 3-04, 3-05, 3-06 and 3-08, Column 3 respectively. See also instructions for reporting related party depreciation and related party interest per Form 7 and Form 10.

Interest income from related organizations will be transferred to Form 5, Line 10, Column 2. Form 6 interest expense can not be reduced to below zero.

3. Section III.

List the name of each owner of the facility and their relationship with organizations described in Section II.

I. Form 9 Rental of Property, Plant, and Equipment

List any leases pertaining to buildings, furniture, and equipment. Identify the lessor, the leased item, the terms of the lease including the amount of the monthly payment, a description of the purchase option, if any, and the amount of rent applicable to the current reporting period.

J. Form 10 Analysis of Interest Bearing Debt and Related Interest Expense

1. All interest bearing debt must be reported on Form 10, Pages 1 and 2. These two forms are to be used to report separately the interest expense incurred by the facility on Page 1 and allowable interest expense incurred by a related party on Page 2. Each note should be listed under the columns for Notes 1-11 with the total listed in Column 12. If the facility had more than eleven notes payable during the reporting period, please attach an additional Form 10. Form 10, Page 3 is to be completed by adding the Total columns from Form 10, Pages 1 and 2, Lines 2, 3, 4, 5, 6, 10, 11, 12 and 13.

- a) Line 1, Lender
Report the lender's name.
- b) Line 2, Original Loan Amount
Report the total amount financed at the loan's origination.
- c) Line 3, Beginning Balance
Balance at the beginning of the cost reporting period. The Page 1 total of the Beginning Balance line must agree with the payable amounts reported in Column 1 of Form 11.
- d) Line 4, Ending Balance
Balance at the end of the reporting period. The Page 1 total of the Ending Balance line must agree with the payable amounts reported in Column 2 of Form 11.
- e) Line 5, Current Portion
The current portion of interest bearing debt. The portion due within one year should be reported in this column for all interest bearing debt. The Page 1 total of this line must agree with the amount on Form 11, Line 23, Column 2.

- f) Line 6, Long-Term Portion
The non-current portion of long-term notes payable should be reported in this column. The Page 1 total must agree with Form 11, Line 33.
- g) Line 7, Terms of Debt
Describe the terms of the debt.
- h) Line 8, Asset Financed
Describe the asset financed or purpose of the loan. For example, mortgage of building, purchase of equipment, working capital, vehicle, software, etc.
- i) Line 9, Interest Rate
List the interest rate.
- j) Line 10, Allowable Interest – Fair Market Rental
Report the allowable interest expense for Fair Market Rental payment for the cost reporting period.
- k) Line 11, Allowable Interest - Generator
Report the allowable interest expense for generator for the cost reporting period.
- m) Line 12, Allowable Interest – Working Capital & Other
Report the allowable working capital interest expense for the cost reporting period. Also report the allowable interest expense on other items such as vehicles and software.
- n) Line 13, Non-Allowable Interest
Report the non-allowable interest expense for the cost reporting period.

2. After Form 10, Pages 1, 2, and 3 are complete,

- a) Form 10, Page 1, Column 12, Line 10 will agree with Form 6, Line 3-04, Column 1. Form 10, Page 1, Column 12, Line 11 will agree with Form 6, Line 3-05, Column 1. Form 10, Page 1, Column 12, Line 12 will agree with Form 6, Line 2-59, Column 1. Form 10, Page 1, Column 12, Line 13 will agree with Form 6, Line 5-11, Column 1 (unallowable interest only).
- b) Form 10, Page 2, Column 12, Line 10 will agree with Form 6, Line 3-04, Column 3. Form 10, Page 2, Column 12, Line 11 will agree with Form 6, Line 3-05, Column 3. Form 10, Page 2, Column 12, Line 12 will agree with Form 6, Line 2-59, Column 3.

- c) Form 10, Page 3, Column 12, Line 10 will agree with Form 6, Line 3-04, Column 6. Form 10, Page 3, Column 12, Line 11 will agree with Form 6, Line 3-05, Column 6. Form 10, Page 3, Column 12, Line 12 will agree with Form 6, Lines 2-59, Column 6.

K. Form 11 Balance Sheet

The balance sheet as of the beginning of the reporting period is reported in Column 1 and the balance sheet as of the end of the reporting period is reported in Column 2.
Note: Column 1 of this report must equal Column 2 of the previous cost report.

1. Line 1, Cash on Hand & In Banks
Cash on Hand & in Banks includes all funds actually on hand or in bank accounts subject to immediate withdrawal.
2. Line 2, Accounts Receivable
Accounts Receivable represent monies due the facility for services rendered to residents as of the balance sheet date. The dollar amount recorded on the schedule represents gross accounts receivable.
3. Line 3, Less Allowance for Uncollectable Accounts
Allowance for Uncollectable Accounts includes the estimated loss for accounts receivable that will not be collected.
4. Line 4, Notes Receivable
Notes Receivable includes the current portion of notes other than those due from officers, owners, or related organizations.
5. Line 5, Due From Officers, Owners or Related Organizations
Due from Officers, Owners or Related Organizations represent amounts owed the facility by officers, owners or related parties as of the balance sheet date.
6. Line 6, Other Receivables
Other Receivables include all current receivables which are not appropriately included on another line such as amounts due from a previous owner.
7. Line 7, Inter-Company Receivables
Inter-Company Receivables represent amounts owed the facility by a home office or other nursing home facility in a multi-facility operation.
8. Line 8, Inventory
Inventory includes those goods awaiting sale or use, and excludes those long-term assets subject to depreciation. Inventories are normally conservatively valued at the lower of "cost or market". List the method of inventory valuation in the space provided. Examples of inventory items include dietary supplies, housekeeping supplies and linens.

9. Line 9, Prepaid Expenses
Prepaid Expenses represent the portion of the expenditures which will be carried forward into the next accounting period. Examples of prepaid expenses include membership dues, insurance premiums, rent, service contracts, etc.
10. Line 10, Investments
Investments are normally permanent or long-term securities with value, but which are normally not available for immediate withdrawal. Investments include stock and bonds, certificates of deposit, etc.
11. Line 11, Other Current Assets
Other Current Assets include all current assets which are not appropriately included on any other line of the balance sheet.
12. Line 12, Total Current Assets
Total Current Assets is the sum of Line 1 through Line 11.
13. Line 13, Property, Plant and Equipment
Property, Plant and Equipment must agree with the total of all assets recorded on Form 7, Page 1, Column 1.
14. Line 14, Less Accumulated Depreciation
Less Accumulated Depreciation represents a reduction of the property, plant, and equipment reported on Line 13. The amount entered in the beginning column reports accumulated depreciation at the beginning of the reporting period, and therefore, does not include the depreciation expense for this period.
15. Line 15, Total Fixed Assets
Total Fixed Assets is the difference between Line 13 and Line 14.
16. Line 16, Notes Receivable - Noncurrent
Notes Receivable - Noncurrent includes the non-current portion of notes other than those due from officers, owners, and related organizations.
17. Line 17, Due From Officers, Owners or Related Organizations
Due from Officers, Owners or Related Organizations under Other Assets includes the non-current portion of amounts owed from officers, owners, or related organizations.
18. Line 18, Deposits (Schedule)
Deposits include amounts used to secure accounts with utility companies, for workers compensation insurance or with lessors, for example. A schedule must be attached that details the amount on this line.

19. Line 19, Other Noncurrent Assets
Other Noncurrent Assets represent those non-current assets which are not appropriately reported on any other line (ex. organization costs).
20. Line 20, Total Other Assets
Total Other Assets is the sum of amounts recorded on Lines 16 through 19.
21. Line 21, Total Assets
Total Assets represents the sum of amounts recorded on Lines 12, 15, and 20 of the balance sheet.
22. Line 22, Accounts Payable
Accounts Payable represent liabilities of daily transactions normally kept on open account for goods and services purchased. Exclude accounts payable owed to related parties.
23. Line 23, Notes Payable and Current Portion of Long Term Debt
Notes Payable and Current Portion of Long-Term Debt includes obligations that are scheduled to mature within one year after the balance sheet date and the current portion of long-term debt.
24. Line 24, Accrued Salaries
Accrued Salaries represent the salaries and wages earned by employees but not paid during the accounting period. To be recognized as an allowable expense, salaries accrued at the end of the accounting year must be paid within ninety days of the year end.
25. Line 25, Accrued Payroll Taxes
Accrued Payroll Taxes include undeposited federal and state income and FICA taxes withheld. It also includes union dues and insurance withheld and the employers' liability for FICA and unemployment taxes.
26. Line 26, Accrued Income Taxes
Accrued Income Taxes include any liability the facility has for federal and state income taxes.
27. Line 27, Inter-Company Payables
Inter-company Payables represent amounts owed by the facility to a home office or other nursing home facility in a multi-facility operation.
28. Line 28, Other Current Liabilities
Other Current Liabilities represent any current obligations not included elsewhere on Form 11, Lines 22-27. A schedule must be included with the cost report.
29. Line 29, Total Current Liabilities
Total Current Liabilities represents the sum of amounts reported on Lines 22 through 28 of this form.

- 30. Line 30, Mortgage Payable
Mortgage Payable represents the mortgage obligation that is scheduled to mature after one year from the balance sheet date.
- 31. Line 31, Notes Payable
Notes Payable - Long-Term include obligations that are scheduled to mature after one year from the balance sheet date.
- 32. Line 32, Notes Payable to Officers, Owners or Related Organizations
Notes Payable to Officers, Owners or Related Organizations represent liabilities to officers, owners or related organizations.
- 33. Line 33, Total Long-Term Liabilities
Total Long-Term Liabilities represents the sum of Lines 30 through 32.
- 34. Line 34, Total Liabilities
Total Liabilities is the sum of current liabilities (Line 29) and long-term liabilities (Line 33).
- 35. Lines 35 - 41, Capital
Capital has sections, which apply to proprietorships, partnerships, governmental facilities, and corporations. Only the applicable lines should be completed.
- 36. Line 42, Total Capital
Total Capital is the sum of amounts reported on Lines 35 through 41.
- 37. Line 43, Total Liabilities and Capital
Total Liabilities and Capital is the sum of Total Liabilities (Line 34) and Total Capital (Line 42). Total Liabilities and Capital should agree with Total Assets (Line 21) of the balance sheet.

L. Form 12 Capital Reconciliation

- 1. Total Capital at Beginning of Period should be obtained from Form 11, Line 42, Column 1.
- 2. Additions to Capital - All additions to capital must be included in this section.
 - a) Line 1, Net Income (Loss) for Period
Net Income (Loss) for Period is obtained from Form 5, Line 22.
 - b) Line 2, Contributions to Capital
Contributions to capital must be listed together with the date the contribution was made.

- c) Lines 3 and 4
List any other additions to capital.
- 3. Reductions to Capital - All reductions to capital must be included in this section.
 - a) Line 1, Dividends Paid
Dividends include those dividends declared during the cost reporting period.
 - b) Line 2, Owners' or Partners' Withdrawals
Owners' or Partners' Withdrawal must be listed on the lines provided together with the date the withdrawal was made. A schedule must be attached if necessary.
 - c) Lines 3 and 4
List any other reductions to capital.
- 4. Ending Capital - Total Capital at End of Reporting Period must equal the amount on Form 11, Line 42, Column 2.

M. Form 13 Owners' Compensation

A separate Form 13 must be completed for each owner, partner or stockholder listed on Form 14. Additional copies of Form 13 should be made as needed. Compensation other than salary should be specified under other compensation. Examples of such compensation are given on Form 13. Each completed Form 13 must be signed by the owner, partner or stockholder.

The Section I "Compensation Paid by Facility" will identify net allowable compensation claimed after adjustments per Column 6 of the applicable Form 6 reported line number.

The Section I "Compensation Paid by Related Management Company/Home Office" will identify net allowable compensation claimed for this facility after adjustments and included on Form 6, Line 2-50, Column 6. This is the allocated/applicable owner's, partner's or stockholder's allowable compensation amount included from Form 15, Line 2-01, Column 6 plus any direct Form 15, Line 2-01, Column 3 compensation.

The Section VII "Analysis of Compensation Paid to Relatives of Owner/Partner/Stockholder" will identify the Form 6 line number in which the compensation is claimed and the total compensation paid to each relative per line number. For relatives of related management company/home office owners, partners or stockholders, the total compensation paid by the related management company/home office to each relative will be identified here per Line 2-50.

N. Form 14 Disclosure of Ownership

Each provider is required to complete the applicable section of this form. All owners, partners, major stockholders, and officers will be identified on this Form.

The “Direct Compensation from Facility” column will identify direct total compensation amounts paid by the facility. This column will include each owner’s, partner’s, major stockholder’s and officer’s total compensation amount as posted from the trial balance to Form 6, Column 1 (do not include Form 6, Line 2-50 amounts for related management company/home office). The “Form 15 Compensation Amount” column will identify the total compensation amount paid to each related management company/home office owner, partner, major stockholder and officer as posted to Form 15, Column 1.

O. Form 15 Home Office or Related Management Company Cost Report
Expense Allocation Summary

Each provider that reports expense on Form 6, Line 2-50 as a result of home office costs or management fees paid to a related management company must complete Form 15. The form is to be used to report the allocation of indirectly related expenses as well as directly related expenses from the home office or related management company.

1. Section 1 - Revenue

This section must include the total revenue of the home office or related management company. Facilities should complete only Columns 1 and 2 in Section 1.

2. Section 2 - Expenditures

Line 2-01 through 2-30 will be used to report the expenses for the described accounts. All expense accounts that are not listed in Section 2 must be reported on Line 2-28, Other, and a detailed schedule must be attached to the cost report.

a) Column 1

This column must agree with the general ledger of the home office or the management company.

b) Column 2

This column is for adjustments for expenses not related to resident care or to offset revenues against expenses. This column will also be used to make necessary adjustments for excess compensation to Line 2-01 as described in Section 3-2.E.

- c) Column 3
Expenses that are directly related to the management of the facility for which the cost report is being filed must be reported in Column 3.
- d) Column 4
Expenses, which are directly related to the management of all other facilities, must be reported in Column 4.
- e) Column 5
Column 1, less Column 2, less Column 3, less Column 4 will be reported in Column 5. These are the expenses to be allocated to all facilities managed by the home office or the management company.
- f) Column 6
Column 5 multiplied by the allocation percentage related to the facility for which the cost report is being filed will be reported in Column 6.

3. Section 3 - Calculation of Allowable Expenditures

- a) Line 3-01, Expenditures Directly Related to the Facility
The total of expenses directly related to this facility from Line 2-31, Column 3 are reported here.
- b) Line 3-02, Expenditures Allocated to this Facility
The total amount of this facility's allocated portion of the indirectly related expenses from Line 2-31, Column 6 are reported here.
- c) Line 3-03, Less: Nonallowable Expenses
Nonallowable expenses that are included in Section 2 will be listed by the following categories: Bad Debts, Contributions, Income Tax, Vehicles, and Other. Other nonallowable expenses must be listed on a schedule attached to the cost report.
- d) Line 3-04, Total Allowable Expenditures
Total of Lines 3-01, 3-02, and 3-03.

4. Section 4 - Description of Allocation Methods

This section is to be used to describe the methodology used to allocate home office or related management company expenditures to this facility. See Section 3-2.E for instructions concerning allowable cost allocation methods.

P. Form 16 Staffing and Salary Costs

Form 16 must be completed for each facility.

1. Column 2, Salaries Cost
This column must equal the amount on Form 6, Column 1 for the line recorded in column 1.
2. Column 3, Actual Hours
This column is used to record the actual hours paid during the report period for each staff classification.
4. Column 4, Beginning Hourly Rate
This column is used to record the facility's beginning hourly rate for each staff classification as of the ending date of the report period.

4-4A Chart of Accounts

<u>CASH</u>	<u>ACCOUNT NAME</u>	<u>ACCOUNT DESCRIPTION</u>
110.00	Cash in Bank - General	Cash on deposit in a checking account at a bank.
111.00	Cash in Bank - Payroll	Cash on deposit in a checking account used for payroll purposes only. The balance in this account is usually offset by payables for payroll and withholding.
114.00	Cash in Bank - Savings	Cash on deposit in bank or Savings and Loan earning interest income.
116.00	Resident Trust	Funds left with the facility by residents for safekeeping, which is either as cash on hand or in a checking/savings account on deposit.
118.00	Petty Cash	Amount of cash retained on the premises to meet the daily requirements for small purchases or to make change for residents and visitors.

ACCOUNTS RECEIVABLE

120.00	Private	Amounts due from self-pay residents and other Third Parties.
121.00	Medicare – Part A	Amounts billed to the Medicare Title XVIII fiscal intermediary for SNF services.
122.00	Medicare – Part B	Amounts billed to the Medicare Title XVIII fiscal intermediary for Part B services.
122.10	Medicare Coinsurance/Deductible	Amounts billed to the resident or third party for coinsurance or deductible for Medicare services.
123.00	Medicaid	Amounts due from the Department of Human Services (DHS) for services provided to Medicaid residents.
123.10	Medicaid Resident Liability	Amounts due from the Medicaid resident or third party for his care as established by the local DHS county office.
124.00	Nurse Aide Training & Testing	Amounts due from Medicaid/Medicare/ Private Pay/etc. for Nurse Aide Training and/or Testing.
130.00	Allowance for Doubtful Accounts	Estimate of accounts receivable which will not be collected.

INVENTORY

135.00	Nursing Supplies	The value of supplies on hand used for the professional care of the resident (i.e., medical and nursing supplies).
136.00	Food	The value of food and food items on hand.
137.00	Food Supplements	The value of food supplements such as Ensure, etc. on hand.
138.00	Linen	The value of sheets, blankets, pillow cases and gowns on hand.

139.00	Incontinence Supplies	The value of incontinence supplies such as diapers and underpads on hand.
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PREPAID EXPENSES

145.00	Insurance	Insurance Premiums paid in a current period that apply to coverage in a future period.
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146.00	Real Estate Taxes	Real estate taxes paid in advance which apply to future cost reporting periods.
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147.00	Personal Property Taxes	Taxes levied on furniture and equipment, which are paid and applied to future cost reporting periods.
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FIXED ASSETS

151.00	Land - Nursing Home	Cost of land that is used as the site of the facility building.
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152.00	Land Improvements	Cost of paving, parking lot improvements, lighting standards, shrubs or other land improvements not attached to the building. These assets will be included with Buildings and Improvements on the Form 7 Depreciation Schedule.
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155.00	Buildings	The cost of buildings and attached assets (central heat/air, carpeting, etc.) used in providing resident care.
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156.00	Building Improvements	The cost of remodeling done to building used in providing resident care.
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160.00	Equipment	Movable equipment costing \$2,500 or more, e.g., beds, ovens, freezers, typewriters, computers, desks, etc.
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161.00	Software	Cost of software owned by the facility.
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164.00	Vehicles	Cost of automotive vehicles owned by the facility.
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166.00	Leasehold Improvements	The cost incurred by the facility for improvements on rented or leased property used for resident care.
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ACCUMULATED DEPRECIATION

170.00	Accumulated Depreciation	Depreciation expense taken during the current period as well as prior years on the above assets.
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OTHER ASSETS

181.00	Deposits – Utilities	Amounts on deposit as security with utility companies.
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182.00	Deposits – Leases	Amounts on deposit (or last month's rent paid at the beginning of a lease with lessor as security.
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183.00	Organization Costs	Net costs incurred in formation of the business the benefits of which will be received over future periods.
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184.00	Goodwill	Difference, recorded on the books of the purchaser,
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of the excess purchase price over the book value of the net tangible assets of an acquired operating entity. Includes any amounts paid to the seller for the permit of approval licensure, covenants not to compete, etc.

CURRENT LIABILITIES

201.00	Accounts Payable	Amounts due to suppliers for services rendered or supplies received.
205.00	Payroll Payable	Payroll amounts due to employees, not yet paid.
206.00	Current Portion of Long Term Debt	Amounts owed for long term debt for the current period, not yet paid.
207.00	Resident's Deposits	Amounts owed to residents for funds left with the facility for safekeeping.

PAYROLL TAX WITHHELD

221.00	Federal Income Tax	Amount of Federal Income Tax withheld from employee's gross pay, not yet remitted.
222.00	FICA (Social Security)	FICA withheld from employee's gross pay, not yet remitted.
223.00	State Income Tax	Amount of State Income Tax withheld from employee's gross pay, not yet remitted.
226.00	Union Dues	Amount of union dues withheld from employee's gross pay.
227.00	Insurance	Amount of insurance premiums withheld from employee's gross pay.

ACCRUED PAYROLL TAXES

230.00	FICA	Social Security taxes owed by employer in addition to those withheld from employees pay.
231.00	Unemployment Taxes	Unemployment Insurance payroll taxes owed by the employer.
235.00	Worker's Comp	Worker's Compensation premiums owed by the employer.

OTHER TAXES

241.00	Real Property Tax	Amount owed for taxes levied upon the real property (land and buildings) owned by the facility.
242.00	Personal Property Tax	Amount owed for taxes levied upon the personal property (furniture and equipment) owned by the facility.
243.00	Federal Income Tax	Amount due to Federal Government for taxes levied by it on the net income of the facility.

244.00 State Income Tax Amount due to the state for taxes levied by it on the net income of the facility.

245.00 Sales Tax Taxes, passed on to the customers or residents, levied on the retail sale of the facility, which are owed by the facility to state and local governments.

CONTRACTUAL OBLIGATIONS

Amount due to a third party, which is usually made as a result of an agreement to accept cost as payment to a contracting agent.

253.00 Medicare Amount due to Medicare fiscal intermediary based on cost settlement.

255.00 Medicaid Amount due to the Department of Human Services.

LONG TERM LIABILITIES

261.00 Mortgage Payable Amount due on mortgages, against the facility's real property and improvements owned, with term longer than one year.

263.00 Notes Payable Amount due on secured notes payable with term longer than one year. Note that amount due to owner and/or related organizations should be separated.

EQUITY

301.00 Capital Owner's capital at balance sheet date.

310.00 Capital Stock The par or stated value of stock owned at balance sheet date.

320.00 Paid in Capital The amount of capital in excess of par or stated value of stock at balance sheet date.

392.00 Retained Earnings Accumulated earnings after income taxes and after dividends have been paid to stockholders.

393.00 Net Profit or (Loss) Net profit or (loss) from operation for current year to date before provisions for income taxes have been made.

PROPRIETOR DRAW

395.00 Proprietor Draw Amount withdrawn from the business by the owner(s) in cases where the facility is not a corporation.

ROUTINE REVENUE

The gross charges made to residents for room and board services, including general nursing, dietary, housekeeping and all other commonly used services and supplies available to all residents and normally expressed as a daily or monthly rate.

In lieu of recording all charges and contractual adjustments, these accounts may be used to record amounts received (cash basis) during the period

and applicable accrual adjustments at the beginning and end of the period.

402.00	Private, Other Third Party	Amounts billed to self-pay residents and other third parties for services/supplies, which are reimbursed on a per diem or monthly basis.
404.00	Medicare – Part A	Amounts billed to the Medicare Title XVIII Part A fiscal intermediary for SNF services/supplies, which are reimbursed on a per diem basis. This is the daily amount billed for room & board and does not include the Medicare Part A ancillary services/supplies which are billed separately.
405.00	Medicaid	Amounts billed to Medicaid for services/supplies, which are reimbursed on a per diem basis.

ANCILLARY REVENUE

In lieu of recording all changes and adjustments, these accounts may be used to record amounts received (cash basis) during the period and applicable accrual adjustments at the beginning and end of the period.

410.00	Medicare Part A Physical Therapy	Amounts billed to Medicare Part A for physical therapy services and supplies.
410.10	Medicare Part B Physical Therapy	Amounts billed to Medicare Part B for physical therapy services and supplies.
410.20	Other Physical Therapy	Amounts billed to other Third Parties and non-residents/employees/etc. for physical therapy services and supplies.
411.00	Medicare Part A Occupational Therapy	Amounts billed to Medicare Part A for occupational therapy services and supplies.
411.10	Medicare Part B Occupational Therapy	Amounts billed to Medicare Part B for occupational therapy services and supplies.
411.20	Other Occupational Therapy	Amounts billed to other Third Parties and non-residents/employees/etc. for occupational therapy services and supplies.
412.00	Medicare Part A Speech Therapy	Amounts billed to Medicare Part A for speech therapy services and supplies.
412.10	Medicare Part B Speech Therapy	Amounts billed to Medicare Part B for speech therapy services and supplies.
412.20	Other Speech Therapy	Amounts billed to other Third Parties and non-residents/employees/etc. for speech therapy services and supplies.
413.00	Medicare Part A Oxygen/Inhalation Therapy	Amounts billed to Medicare Part A for oxygen/inhalation therapy services and supplies.
413.10	Medicare Part B Oxygen/Inhalation Therapy	Amounts billed to Medicare Part B for oxygen/inhalation therapy services and supplies.

413.20	Other Oxygen/Inhalation Therapy	Amounts billed to other Third Parties and non-residents/employees/etc. for oxygen/inhalation therapy services and supplies.
414.00	Medicare Part A Intravenous Therapy	Amounts billed to Medicare Part A for intravenous therapy services and supplies.
414.10	Medicare Part B Intravenous Therapy	Amounts billed to Medicare Part B for intravenous therapy services and supplies.
414.20	Other Intravenous Therapy	Amounts billed to other Third Parties and non-residents/employees/etc. for intravenous therapy services and supplies.
415.00	Medicare Part A Pharmacy	Amounts billed to Medicare Part A for drugs and pharmaceuticals.
415.20	Other Pharmacy	Amounts billed to other Third Parties and non-residents/employees, etc. for drugs and pharmaceuticals.
416.00	Medicare Part A Nursing/Medical Supplies	Amounts billed to Medicare Part A for nursing and medical supplies.
416.10	Medicare Part B Nursing/Medical Supplies	Amounts billed to Medicare Part B for nursing and medical supplies.
416.20	Other Nursing/Medical Supplies	Amounts billed to other Third Parties and non-residents/employees/etc. for nursing and medical supplies.
417.00	Medicare Part A Laboratory	Amounts billed to Medicare Part A for laboratory services and supplies.
417.10	Medicare Part B Laboratory	Amounts billed to Medicare Part B for laboratory services and supplies.
417.20	Other Laboratory	Amounts billed to other Third Parties and non-residents/employees/etc. for laboratory services and supplies.
418.00	Part A X-Ray/Radiology	Amounts billed to Medicare Part A for X-Ray/Radiology services and supplies.
418.10	Part B X-Ray/Radiology	Amounts billed to Medicare Part B for X-Ray/Radiology services and supplies.
418.20	Other X-Ray/Radiology	Amounts billed to other Third Parties and non-residents/employees/etc. for X-Ray/Radiology services and supplies.
419.00	Part A Other Miscellaneous Ancillary	Amounts billed to Medicare Part A for miscellaneous ancillary services and supplies.
419.10	Part B Other Miscellaneous Ancillary	Amounts billed to Medicare Part B for miscellaneous ancillary services and supplies.
419.20	Other Miscellaneous Ancillary	Amounts billed to other Third Parties and non-residents/employees/etc. for miscellaneous ancillary services and supplies.

MISCELLANEOUS REVENUE

430.00	Television	Amounts received and receivable from television rental and cable fees from residents.
432.00	Beauty and Barber	Amounts received and receivable from the provision of beauty and barber services.
434.00	Personal Items	Amounts received and receivable from the sale of personal items such as toothpaste, razor blades, shaving cream, etc.
436.00	Vending	Amounts received and receivable from the sale of products in vending machines, such as candy bars and soda pop.
438.00	Rental	Amounts received and receivable from the rental of space or equipment.
440.00	Interest	Amounts received and receivable for interest earned on cash deposits or notes and accounts receivable.
442.00	Arts & Crafts	Amounts received and receivable from the sale of arts and craft items.
444.00	Meal	Amounts received and receivable from the sale of meals to guests and employees.
446.00	Laundry	Amounts received and receivable from the sale of laundry services.
448.00	Contributions, Gifts, Grants	Amounts received and receivable from contributions, gifts and grants.
449.00	Criminal Records Check	Amounts received and receivable for reimbursement of criminal records check disbursements.
450.00	Other	Amounts received and receivable for which a specific account is not established.

DEDUCTIONS

Contractual adjustments made to resident care revenue to reflect settlements for the difference between the billed amounts as recorded per general ledger revenue accounts and contracted amounts actually paid. These adjustments are usually made as a result of an agreement to accept payment amounts from a contracting third party agent which are less than the billed amounts.

501.00	Private Pay & Other Third Party Contractual Adjustment	Contractual adjustments made to Private Pay and Other Third Party covered charges.
503.00	Medicare Part A Contractual Adjustment	Contractual adjustments made to Medicare Part A covered charges.
504.00	Medicaid Contractual Adjustment	Contractual adjustments made to Medicaid covered charges.
505.00	Medicare Part B Contractual Adjustment	Contractual adjustments made to Medicare Part B covered charges.

ALLOWANCES

Year end adjustments to reduce billed amounts to estimated collectible amounts as recorded per general ledger revenue accounts.

522.00	Private Pay & Other Third Party Allowance	Allowance adjustment made to Private Pay and Other Third Party covered charges.
524.00	Medicare Part A Allowance	Allowance adjustment made to Medicare Part A covered charges.
525.00	Medicaid Allowance	Allowance adjustment made to Medicaid covered charges.
526.00	Medicare Part B Allowance	Allowance adjustment made to Medicare Part B covered charges.

DIRECT CARE EXPENSES

601.00	Salaries – RNs	Salaries of Registered Nurses (excluding the DON).
602.00	Salaries – LPNs	Salaries of Licensed Practical Nurses.
603.00	Salaries – Aides	Salaries of Nurse Aides.
603.10	Salaries – Medication Assistants	Salaries of Medication Assistants-Certified
604.00	Salaries – Assistant Director of Nursing	Salaries of the Assistant Director of Nursing.
605.00	Salaries – Director of Nursing	Salaries of the Director of Nursing who is in a supervisory position.
606.00	Salaries – Occupational Therapists	Salaries of occupational therapists.
607.00	Salaries – Physical Therapists	Salaries of physical therapists.
608.00	Salaries – Speech Therapists	Salaries of speech therapists.
609.00	Salaries – Other Therapists	Salaries of therapists other than occupational, physical or speech therapists.
610.00	Salaries – Rehab Nurse Aide	Salaries of rehabilitation nurse aide. Each facility should have a nursing assistant who is designated to be the Rehabilitative nurse aide. This aide should be trained by the therapist to provide the maintenance program for those residents who require these services.
611.00	FICA – Direct Care	Cost of employer's portion of Social Security Tax for direct care staff.
612.00	Group Health - Direct Care	Cost of employer's contribution to employee Health Insurance for direct care staff.
613.00	Pensions – Direct Care	Cost of employer's contribution to employee pension plan for direct care staff.
614.00	Unemployment Taxes –Direct Care	Cost of employer's contribution to State and Federal unemployment taxes for direct care staff.

615.00	Uniform Allowance - Direct Care	Cost of uniform allowance or uniforms given to staff as a fringe benefit for direct care staff.
616.00	Worker's Comp - Direct Care	Cost of worker's compensation insurance for direct care staff.

617.00	Other Fringe Benefits –Direct Care	Cost of other fringe benefits offered to direct care staff not specifically listed in the categories above. These must be included in the facility's benefits policy.
618.00	Contract – Aides	Cost of Certified Nurse Aides hired through contract that are not on the facility payroll.
618.10	Contract – Medication Assistants	Cost of Medication Assistants-Certified hired through contract that are not on the facility payroll.
619.00	Contract - LPN's	Cost of LPN's and graduate practical nurses hired through contract that are not on facility payroll.
620.00	Contract - RN's	Cost of RN's and graduate nurses hired through contract that are not on facility payroll.
621.00	Contract – Occupational Therapists	Cost of occupational therapists hired through contract that are not on the facility payroll.
622.00	Contract - Physical Therapists	Cost of physical therapists hired through contract that are not on facility payroll.
623.00	Contract - Speech Therapists	Cost of speech therapists hired through contract that are not on facility payroll.
624.00	Contract - Other Therapists	Cost of therapists other than occupational, physical, and speech therapists hired through contract that are not facility employees.
625.00	Consultant Fees – Nursing	Fees paid to nursing personnel, not on the facility payroll, for providing advisory and educational services to the facility.
626.00	Training – Direct Care	Cost of training related to resident care for RN's, LPN's and Certified Nurse Aides. Also includes travel costs associated with this training. Does not include training cost for Nurse Aide certification.
627.00	Over the Counter Drugs	Cost of over the counter drugs provided to its residents such as pain relievers, cough and cold medications, Rubbing Alcohol, aspirin.
628.00	Oxygen	Cost of oxygen and related supplies.
629.00	Medical Supplies - Direct Care	Cost of providing direct medical care, including single use disposable items and consumable supplies that are used in the course of providing direct medical care to a resident, such as catheters, syringes, sterile dressings, prep supplies, alcohol pads, Betadine solution in bulk, tongue depressors, and cotton balls. Includes minor medical equipment used in providing direct medical care such as thermometers, sphygmomanometers, stethoscopes, etc.
629.10	Medical Supplies – Point of Care	Cost of Point of Care Software Applications that does not require capitalization.
630.00	Therapy Supplies	Cost of supplies used directly by the therapy staff for rendering therapeutic services to the residents of the facility.

631.00	Raw Food	Cost of food products used to provide meals and snacks to residents.
632.00	Food Supplements	Cost of food products given in addition to normal meals and snacks under doctor's orders (Ensure, etc.).
633.00	Incontinence Supplies	Cost of incontinence supplies to include diapers and underpads.
634.00	Dental	Cost of dental services.

635.00	Consultant Fees – Dental	Fees paid to a dentist, not on the facility payroll, for providing advisory and educational services to the facility.
636.00	Drugs – Legend	Cost of prescription drugs prescribed by the physician as medically necessary, provided by the facility to its residents.
637.00	Laboratory	Cost of laboratory procedures such as blood tests and urinalysis provided to its residents.
637.10	X-Ray	Cost of providing radiological services to its residents.

ADMINISTRATIVE AND OPERATING COSTS

701.00	Salaries – Administrator	Salaries of licensed administrators excluding owners.
702.00	Salaries - Assistant Administrator	Salaries of licensed assistant administrators excluding owners.
703.00	Salaries - Dietary Supervisor	Salaries of dietary supervisors.
703.10	Salaries - Dietary Staff	Salaries of kitchen personnel including cooks, helpers and dishwashers.
704.00	Salaries – Housekeeping Supervisor	Salaries of housekeeping supervisors.
704.10	Salaries - Housekeeping Staff	Salaries of housekeeping personnel including maids and janitors.
705.00	Salaries - Laundry Supervisor	Salaries of laundry supervisor.
705.10	Salaries - Laundry Staff	Salaries of laundry personnel except supervisors.
706.00	Salaries – Maintenance Supervisor	Salaries of the maintenance supervisors.
706.10	Salaries - Maintenance Staff	Salaries of personnel involved in operating and maintaining the physical plant, including maintenance men or plant engineer excluding the maintenance supervisor.
707.00	Salaries - Medical Records	Salaries of medical records personnel.
708.00	Salaries - Other Administrative	Salaries of other administrative personnel not included in other accounts.
708.10	Salaries – Bookkeeper	Salaries of personnel responsible for accumulating and maintaining financial and statistical records.
708.20	Salaries – Receptionist	Salaries of personnel answering telephones, greeting visitors, answering questions and performing secretarial functions.
709.00	Salaries – Activities	Salaries of Activities staff.

710.00	Salaries – Pharmacy	Salaries of pharmacy employees.
711.00	Salaries - Social Services	Salaries of personnel providing an ongoing program of activities designed to meet, in accordance with the comprehensive assessment, the interest and the physical, mental and psychosocial well being of the residents.
712.00	Salaries - Owner or Owner/Administrator	Salaries of all owners of the facility.
713.00	FICA – Indirect, Administrative & Operating	Cost of employer's portion of Social Security Tax for indirect, administrative & operating staff.
714.00	Group Health – Indirect, Administrative & Operating	Cost of employer's contribution to employee Health Insurance for indirect, administrative & operating staff.
715.00	Pensions – Indirect, Administrative & Operating	Cost of employer's contribution to employee pension plan for indirect, administrative & operating staff.
716.00	Unemployment Taxes – Indirect, Administrative & Operating	Cost of employer's contribution to State and Federal unemployment taxes for indirect, administrative & operating staff.
717.00	Uniform Allowance – Indirect, Administrative & Operating	Cost of uniform allowance or uniforms given to staff as a fringe benefit for indirect, administrative & operating staff.
718.00	Worker's Comp – Indirect, Administrative & Operating	Cost of worker's compensation insurance for indirect, administrative & operating staff.
719.00	Other Fringe Benefits – Indirect, Administrative & Operating	Cost of other fringe benefits offered to administrative staff not specifically listed in the categories above. These should be included in the facilities benefits policy.
720.00	Contract – Dietary	Cost of dietary services and personnel hired through contract that are not facility employees.
721.00	Contract - Housekeeping	Cost of housekeeping services and personnel hired through contract that are not facility employees.
722.00	Contract – Laundry	Cost of laundry services and personnel hired through contract that are not facility employees.
723.00	Contract - Maintenance	Cost of maintenance services and personnel hired through contract that are not facility employees, includes electricians, plumbers, locksmiths, etc.
724.00	Consultant Fees - Dietitian	Fees paid to consulting registered dietitians for advisory and educational services.
725.00	Consultant Fees - Medical Records	Fees paid to consulting medical records Accredited Records Technicians or Medical Records Administrator for advisory and educational services.
726.00	Consultant Fees – Activities	Fees paid to activities personnel, not on the facility payroll, for providing advisory services to the facility.

727.00	Consultant Fees – Medical Director	Fees paid to a medical doctor, not on the facility payroll, for providing advisory and educational services to the facility.
728.00	Consultant Fees – Pharmacy	Fees paid to a registered pharmacist, not on the facility payroll, for providing advisory and educational services to the facility.
729.00	Consultant Fees - Social Worker	Fees paid to a social worker, not on the facility payroll, for providing advisory and educational services to the facility.
730.00	Consultant Fees – Therapists	Fees paid to licensed therapists, not on the facility payroll, for providing advisory and educational services to the facility.
731.00	Barber & Beauty Expense – Allowable	The cost of barber and beauty services provided to residents by facility staff.
732.00	Medical Transportation	Cost of providing residents medical transportation to local community providers when the facility does not use facility vehicles.
732.10	Business Related Mileage	Amounts claimed (rate per mile) for facility owned or other vehicles used in providing residents medical transportation to local “community” providers or used for business related mileage.
733.00	Resident Activities	Cost of resident activities should include pastoral services, recreational activities and supplies (games, puzzles, art supplies).
733.10	Supplies - Care Related	Personal hygiene items. Soaps, deodorants, shampoos, toothbrush, toothpaste, razor, razor blades etc. Includes minor equipment provided by the facility that is not used in providing direct medical care such as water pitchers, wash basin, emesis basin, bedpan, urinal, hot water bottles, heating pads, crutches, walkers, etc. Includes nurse charting forms, admission forms, medication and treatment records, physician order forms.
735.00	Accounting Fees	Fees paid for the preparation of the cost report, audits of the financial records, bookkeeping services, tax return preparation of the nursing facility and other related services, excluding personal tax planning and personal tax return preparation.
735.10	Payroll Processing	Fees paid to banks, data processing companies, or accounting firms for preparing the facility payroll.
736.00	Advertising for Labor/Supplies	Advertising expense limited to classified advertisements for the purpose of procurement of resident care related labor or supplies. Advertisements, including yellow page listings, designed to promote the facility or to solicit residents are not allowable.

737.00	Amortization Exp. - Non-Capital	Costs incurred for legal and other expenses when organizing a corporation should be amortized over a period of 60 months.
738.00	Bank Service Charges	Fees paid to banks for service charges, excluding

		penalties and insufficient funds charges.
739.00	Criminal Records Check	Costs incurred for criminal records checks for employee and job applicants.
740.00	Data Processing Fees	Cost of purchased services for data processing systems and services.
741.00	Dietary Supplies	Cost of consumable items such as soap, detergent, napkins, paper cups, straws, etc. used in the dietary department.
741.10	Dietary Non-Expendable Supplies	Cost of non-expendable dietary supplies such as forks, spoons, trays, plates, cups, bowls, glasses, etc.
742.00	Dues	Cost of dues paid for membership in industry associations.
743.00	Educational Seminars & Training	The cost of registration for attending educational seminars and training by employees of the facility and costs incurred in the provision of in-house training for facility staff. Do not include travel.
744.00	Governing Body	Cost of Governing Body.
745.00	Housekeeping Supplies	Cost of consumable housekeeping items including waxes, cleaners, soap, brooms and lavatory supplies.
746.00	Interest Expense - Non-Capital	Interest paid on short term borrowing for facility operations.
747.00	Laundry Supplies	Cost of consumable goods used in the laundry including soap, detergent, starch and bleach.
748.00	Legal Fees	Fees paid to attorneys.
749.00	Linen & Laundry	Cost of sheets, blankets, pillows and gowns.
750.00	Miscellaneous	Cost incurred in providing nursing facility services that cannot be assigned to any other account.
750.10	License Fees	Fees for licenses including state, county and local business licenses as well as nursing facility and administrator licensing fees.
750.20	Printing	Cost of printing forms and stationary including accounting and census forms, charge tickets, facility letterhead, etc.
752.00	Management Fees & Home Office	The cost of purchased management services or home office costs incurred that are allowable to the provider.
753.00	Office Supplies	Cost of consumable items used in the business office (pencils, erasers, paper, staples, computer paper, ribbons).
753.10	Subscriptions	Cost of subscribing to newspapers, magazines and periodicals for facility use.
754.00	Postage	Cost of postage including stamps, metered postage, freight charges and courier services.

755.00	Repairs & Maintenance	Cost of supplies and services used to repair the facility building, furniture and equipment (include light bulbs, nails, lumber, glass).
755.10	Vehicle Maintenance	Costs of maintaining facility vehicles including gas, oil, tires and auto insurance.
755.20	Painting	Supplies and services.
755.30	Gardening	Supplies and services for lawn care.
756.00	Taxes, Other	The cost of taxes paid that are not included in any other account.
757.00	Telephone & Communications	Cost the telephone services, WATTS lines and FAX services.
758.00	Travel	Cost of travel (airfare, mileage, lodging, meals, etc.) by Administrator and other authorized personnel to attend professional and continuing educational seminars and meetings related to their position within the facility.
759.00	Utilities	Cost of utility services not specified in other accounts such as cable TV for common areas. .
759.10	Utilities - Heating	Cost of gas, or other heating fuel services.
759.20	Utilities - Electricity	Cost of electric services.
759.30	Utilities - Water, Sewer & Garbage	Cost of water, sewer and garbage collection.
760.00	Depreciation – Vehicles	Depreciation on vehicles.
760.10	Depreciation – Software	Depreciation on software.
761.00	Interest – Vehicles	Interest paid or accrued on notes, mortgages, and other loans, the proceeds of which were used to purchase facility vehicles.

PROPERTY

801.00	Amortization Expense - Capital	Legal and other costs incurred when financing the facility which are amortized over the life of the mortgage.
802.10	Depreciation - Land Improvements	Depreciation on improvements having a limited life made to the land of the facility (paving, landscaping).
802.20	Depreciation - Building	Depreciation on the facility's building and attached assets.
802.30	Depreciation - Building Improvements	Depreciation on major additions or improvements to the facility. For example a new laundry or dining room.

802.40	Depreciation - Equipment	Depreciation on items of movable equipment costing \$2,500 or more such as beds, floor polishers, stoves, washing machines, computers, etc.
802.41	Depreciation – Point of Care	Depreciation expense associated with point of care software applications.
802.50	Depreciation - Leasehold	Depreciation on major additions or improvements

	Improvements	to building or plant where the facility is leased and the cost of the changes are incurred by the lessee.
802.60	Depreciation - Generator	Depreciation on generators approved by the Office of Long Term Care under Act 1602 of 2001.
803.10	Interest - Land/Building	Interest paid or accrued on notes, mortgages and other loans, the proceeds of which were used to purchase the facilities real property (land and building).
803.20	Interest -Furniture/Equipment	Interest paid or accrued on notes, mortgages, and other loans, the proceeds of which were used to purchase the facility's furniture and equipment.
803.30	Interest - Generator	Interest paid or accrued on notes the proceeds of which were used to purchase generators approved by the Office of Long Term Care under Act 1602 of 2001.
803.40	Interest – Point of Care	Interest expense associated with point of care software applications.
804.00	Property Insurance	Cost of fire and casualty insurance on facility buildings and equipment.
805.00	Insurance - Professional Liability	Cost of premiums for insuring the facility against injury and malpractice claims. The allowable insurance premium cost for nursing facilities (excluding Arkansas Health Center) is capped at \$2,500 per licensed bed as of the end of the cost reporting period.
806.00	Property Taxes	Cost of taxes levied on the facility's land and buildings.
807.00	Rent - Building	Cost of leasing the facility's real property (land and building).
808.00	Rent - Furniture & Equipment	Cost of leased or rented furniture and equipment for the facility.
809.00	Rent – Point of Care	Rent expense associated with point of care software applications.
<u>QUALITY ASSURANCE FEE</u>		
820.00	Quality Assurance Fee	Cost of the quality assurance fee paid monthly to the Department of Human Services.
<u>NON-ALLOWABLE COSTS</u>		
831.00	Advertising	Cost of advertisements in magazines, newspapers, trade publications, radio, TV and yellow pages which seeks to increase resident utilization of the nursing facility.
832.00	Bad Debts	Accounts receivable written off as uncollectable.
833.00	Barber & Beauty	Cost directly related to the provision of beauty and barber services to residents. The cost of beauty and barber services provided by facility staff are considered allowable costs and should be recorded in account 731.00.

834.00	Contributions	Amounts donated to charitable, political or other organizations.
836.00	Income Taxes - State & Federal	Taxes on net income levied or expected to be levied by the federal or state government.
837.00	Insurance - Officers	Cost of life insurance on officers and/or key

		employees of the facility.
839.00	Non-Working Officer's Salaries	Salaries and other compensation paid to non-working officers.
840.00	Nurse Aide Testing	Costs incurred in having nurse aides tested in order to meet OBRA 1987 provisions that have been or will be submitted to the Division of Medical Services for direct reimbursement. This includes both the Medicaid and non-Medicaid portion of the expenses.
841.00	Nurse Aide Training	Costs incurred in having nurse aide training in order to meet OBRA 1987 provisions that have been or will be submitted to the Division of Medical Services for direct reimbursement. This includes both the Medicaid and non-Medicaid portion of the expenses.
842.00	Other Non-Allowable Cost	Other costs that are considered non-allowable in accordance with other provisions of the state plan that does not have a specific account established.
842.10	Gift Shop	Cost of products sold in the gift shop and other costs that are directly associated with the sale of those products.
843.00	Penalties & Sanctions	Penalties and sanctions assessed by the Division of Medical Services, the Internal Revenue Service or the State Tax Commission, insufficient funds charges, etc..
844.00	Television	Cost of television sets used in the residents' rooms or for providing cable TV to the residents' rooms..
845.00	Vending Machines	Cost of items sold to employees, residents and the general public including candy bars and soft drinks.
846.00	Goodwill Amortization	Amortization of amount paid for a facility in excess of the book value of its tangible assets.

Chapter 4-B **Instructions for Filing Long-Term Care ICF/IID Cost Report**

4-1B Instructions

The DHS-750 cost reporting forms described below must be used by all ICF/IID long term care facilities participating in the Arkansas Medicaid Program. Medicare (Title XVIII) cost reporting forms are not acceptable in lieu of these forms. The forms can be found in **Section V** of the Arkansas Medicaid Provider Manuals by clicking the hyperlink.

4-2B General Information

These instructions are for use in the preparation and submission of the cost report to the Division of Medical Services by all ICF's/MR providing care and services under the Medical Assistance Program. Nursing Facilities will use the Nursing Facility Financial and Statistical Report, DOM-400 and applicable instructions.

All dollar amounts must be rounded to the nearest dollar (no cents) upon transfer to the cost report. For ICF's/MR, only per diem cost amounts calculated on Form 2, Line 11 and Form 8, Lines 4 and 5 will be reported/calculated in cents.

Detailed schedules, calculations and descriptions for all cost report adjustments must be attached to the submitted cost report.

Cost report forms which are not applicable to a facility must be submitted with the other forms and identified as "Not Applicable" or "NA" on the unused form.

4-3B Instructions for Cost Report Forms

A. Form 1 Certification

The "Certification By Officer or Administrator of Provider(s)" section must include an original signature (not a copy) by an authorized officer or the Administrator of the facility. The cost report will not be deemed received by the Division of Medical Services if this certification has not been completed. No signature under the "Opinion of Accounting Firm" section is required unless the period covered by the cost report was audited by a Certified Public Accountant, Public Practicing Accountant, or accounting firm engaged to audit and prepare the financial statements and/or report. Outside accountants preparing the cost report without audit must instead submit a signed "Disclaimer of Opinion" or "Compilation of Report." If an accountant employee/officer/other employee of the facility prepared the cost report, the name, address, and telephone number of the preparer must be reported even though that person's signature is not required.

B. Form 2 Summary Schedule

1. Part A

Please check the appropriate block which applies to your facility.

2. Part B

Please check the appropriate accounting basis used to complete the cost report. Non-governmental facilities must use and check the accrual block. Governmental facilities can use either the cash or accrual basis.

3. Part C - Statistical Data and Per Diem Calculation

a) Lines 1 and 2

Identify the number of beds available during the year. Temporary changes because of alterations, repairs, etc., do not affect the bed capacity.

b) Line 3

Calculate by multiplying the number of beds available for the period by the number of days in the period. Any increase or decrease in the number of beds must be taken into consideration as well as the days elapsed during such an increase or decrease.

c) Line 4

Identify the actual total resident days for the reporting period.

d) Line 5

The percent occupancy is calculated by dividing Line 4 by Line 3. The decimal place should be carried to four places. Example - 95.31%

e) Line 6

Complete Line 6 only if Line 5 is less than 85%. Resident days at 85% occupancy is calculated by multiplying Line 3 by 85%.

f) Lines 7, 8, and 9

These lines are self-explanatory. This information is requested for statistical purposes.

g) Line 10

Upon completion of Form 5, enter on Line 10 the total allowable costs from Form 5, Column 9.

- h) Line 11
Calculate the per diem cost by dividing the allowable cost on Line 10 by the actual resident days for the period on Line 4 if the total occupancy per Line 5 is 85% or greater. If the occupancy percentage per Line 5 is less than 85%, complete Form 8 and bring the per diem amount calculated on Form 8, Line 5 forward to Form 2, Line 11.

C. Form 3 Revenues and Adjustments to Revenues

All revenue is to be entered in Column 1 on this schedule and should agree with the revenue recorded in the general ledger. Revenue adjustments to expenses should be identified in Column 2. These adjustments are made to reduce the applicable expense by any revenues received for that expense. For example, any revenues received from the sale of medical supplies (Line 3) should be used to reduce medical supplies expense (Form 5, Line 10) because the expenses related to these sales are included in total expenses. Suggested line numbers for the adjustments to be made on Form 5 are listed. However, if a different line number must be used to make an adjustment to the proper expense line, cross out the suggested line number and identify the actual line number adjusted.

Line 31 will be used to record net adjustments due to related party transactions and excess owners', partners' and stockholders' compensation. These adjustments are recorded in Column 6 of Form 5.

D. Form 4 Adjustments to Expenses

Adjustments to expenses are separated into two categories:

- 1) Non-reimbursable expenses
- 2) Expenses not allowed - unless directly related to resident care

Complete all lines applicable to your facility that require adjustment. Not all possible adjustments may apply to your particular facility. Additional lines are also provided on this form for other adjustments your facility may need to make which are not included in the listing.

Enter the amounts in the adjustment column next to the applicable line item description. These amounts will then be entered on Form 5, Column 6, as adjustments to the expenses per the general ledger descriptions. Suggested line numbers for the adjustments to be made on Form 5 are listed. However, if a different line number must be used to make an adjustment to the proper expense line, cross out the suggested line number and identify the actual line number adjusted.

E. Form 5 Allowable Cost Allocation

The cost centers on Form 5 are broken down into the following:

- A) Room and Board
- B) Health Care
- C) Maintenance and Operations
- D) General Administration
- E) Provider Fee
- F) Other Costs

Line item expense descriptions are listed under each cost center. Enter the general ledger expense balances in the first three columns. Do not net general ledger expense balances by omitting from the first three columns any non-allowable activities. These adjustments are to be made in Columns 5 and 6 and reported on Forms 3 and 4, respectively.

If the facility's general ledger includes expense accounts which are not listed on Form 5, fill them in on the extra lines provided. It is not necessary to list every expense account on a separate line. If several expense accounts need to be added and their total amount is not large in relation to other amounts in that cost center, a line item for "miscellaneous" or "other" may be added to indicate the total of these amounts. A schedule should be attached identifying the breakdown of the individual expense account names and amounts. Any large expense account to be added should be shown as a separate line item. If the general ledger does not contain a breakdown for some of the line item expenses listed on Form 5, it is acceptable to combine some of the amounts. Clearly mark which items have been included as on line item total.

Column 1 will contain the amount of the gross salaries applicable to each line item.

Column 2 is the employer's fringe benefits paid on behalf of the employees. This would include such items as the employer's share of FICA, health insurance, life insurance, etc. Apportion the fringe benefits to various expense centers based on the percentage of salaries and wages in each expense center. If a more accurate method is determined, it will be acceptable as long as it is documented.

Column 3 is all other expenses. In addition to other expenses, this column should include the cost of contractual services, in-service education costs, and related equipment and supplies expenses.

Column 4 is the total of Columns 1 through 3. The total of Column 4 must agree with the total expenses per the general ledger.

Column 5 and 6 are the adjustments to revenue and expense brought forward from Forms 3 and 4.

Column 7 is the total expenses shown in Column 4 plus or minus the adjustments to revenue (Column 5) and expense (Columns 6).

Column 8 represents allocation of overhead costs supporting direct costs disallowed. All unallowable cost activities must also bear a proportionate share of indirect costs (overhead) supporting these activities. For example, the Manual establishes the cost center line item “Gift, flower, coffee shop” as an unallowable cost, therefore, the allocable share of overhead supporting these activities must be deducted in arriving at allowable costs. Adjustments to allowable overhead must be made for all direct costs disallowed as result of provider adjustment, desk review, or audit.

Instructions for Column 8 follow:

Computation of Allocation Factor

- 1. Total Direct Care Costs
(Form 5, Column 4, Line 5 + Line 23) \$ _____

- 2. Unallowable Direct Costs
(Form 5, Column 6, Line 5 + Line 23) \$ _____

- 3. Unallowable Direct Costs divided by
Total Direct Costs (Item 2 divided by
Item 1; carry to four decimal places) _____ %

Allocation of M&O and G&A

Lines 24 through 29 and 31 through 37 Column 7, Form 5, are to be reduced by the computation made by multiplying the percentage from Item 3 above by each of the lines on Form 5, with the resulting figure placed on the corresponding line on Form 5, Column 8.

Example: Line 31, Column 7, on Form 5 = \$10,000

Percentage determined in the calculation above = 3%

Form 5 would reflect:

	<u>Column 7</u>	<u>Column 8</u>	<u>Column 9</u>
Line 31	\$10,000	\$ 300	\$ 9,700

Column 9 is the net adjusted allowable costs calculated by subtracting Column 8 amounts from Column 7 balances.

1. Room and Board

Line 1, Dietary

Dietitian's salary, kitchen and dining room wages, kitchen and dining supplies, services.

Line 2, Food

Cost of unprocessed food. Cost of preparation and serving are to be recorded on Line 1.

Line 3, Laundry and Linen

Wages of laundry, ironing and sewing help, laundry soaps and supplies, outside laundry service.

Line 4, Unassigned

(ICF/IID 16 Bed Private; Expense included in this line should meet the criteria for the Administrative and Operating Cost Category)

Line 5, Total Room and Board

2. Health Care

Line 6, Nursing

Salaries of nurses, wages of aides and orderlies, supplies, dressings, thermometers, etc.

Line 7, Physician

Salaries, services, supplies. This would include the Medical Director.

Line 8, Unassigned

(ICF/IID 16 Bed Private; Expense included on this line should meet the criteria for the Direct Care & Care Related Cost Category)

Line 9, Pharmacy

Salaries of pharmacists, (or cost for pharmacy consultant). Non-allowable drugs and medications reported in the general ledger columns must be adjusted out using Columns 5 and/or 6. Allowable non-prescriptions medications should be listed on Line 10.

Line 10, Medical Supplies

Medical supplies furnished by the facility as part of required medical or nursing care, as ordered by a physician.

Cost associated with point of care software applications.

- Cost of operating a point of care software application that does not require capitalization.
- Depreciation of capitalized cost associated with a point of care software application reclassified from Line 26.
- Interest expense associated with a point of care software application reclassified from Line 35.
- Equipment rental associated with a point of care software application reclassified from Line 21.

Line 11, Laboratory

Salaries and supplies, or purchased services.

Line 12, X-Rays

Salaries of technicians and supplies or purchased services.

Line 13, Physical Therapy and Rehabilitation

Salaries and therapeutic supplies for physical therapy, occupation therapy and purchased services.

Line 14, Social Service

Salary or agreement cost of social workers and support staff used on a full or part-time basis to provide social services required and performed by the facility.

Line 15, Resident Activities

Cost of resident activities should include recreational activities and pastoral activities.

Line 16, Volunteer Services

Cost of supporting services and staff functions related to the use of volunteers which are resident related and are for improving resident care.

Line 17, Gift, Flower, Coffee Shop

Costs of non-resident related services. Include beauty and barber shop, etc., on this line. These are non-allowable expenses and no profit or loss should affect the allowable cost; therefore, it is necessary to completely eliminate these items. Expenses listed in Columns 1, 2, and 3 for this line will be adjusted to zero by an entry of the same amount in Column 6. A zero is already shown in Columns 7 and 9 for this item.

Line 18, Personal Purchases for Residents

Same as policy for Line 17, applies for personal purchases for residents.

Line 19, Oxygen

Cost of Oxygen, its administration, and related medications.

Line 20, Incontinence

Cost of supplies.

Line 21, Equipment Rental

Cost of renting any equipment necessary for resident care.

Rent expense associated with point of care software applications must be reclassified to Line 10.

Line 22, Unassigned.

(ICF/IID 16 Bed Private; Expense included on this line should meet the criteria for the Administrative and Operating Cost Category)

Line 23, Total Health Care.

3. Maintenance and Operation

Line 24, Housekeeping

Wages of housekeepers and maids, housecleaning supplies.

Line 25, Plant Operations, Maintenance, and Utilities

Utilities, repairs, engineers' salaries, handyman wages, contractual repairs, maintenance supplies. Utilities include water, sewer, garbage and waste disposal, electricity, heating fuel, and cable TV.

Line 26, Depreciation and Amortization

Total straight-line depreciation and amortization. The detail of depreciation and amortization is shown on Form 6. The total of the detailed schedule should agree with the depreciation shown on this line.

Depreciation expense associated with point of care software applications must be reclassified to Line 10.

Line 27, Rent

Rentals paid for buildings, equipment and land used in the operation of the facility.

Line 28, Real Estate Taxes and Insurance

School taxes, other taxes on land and buildings, capital stock tax, insurance, etc.

Line 29, Unassigned

(ICF/IID 16 Bed Private; Expense included on this line should meet the criteria for the Administrative and Operating Cost Category)

Line 30, Total Maintenance and Operation

4. General Administration

Line 31, Salaries

Administrator's salaries, officers' salaries, and wages of general administrative personnel.

Line 32, Professional Services

Legal fees, outside accounting, data processing, management services, etc.

Line 33, Insurance

Officers' life insurance.

Line 34, Travel and Education

Seminars and educational programs. Any cost related to a particular cost center should be apportioned to that cost center. For example, the travel expense of a nurse should be included in the health care cost center and not with this line.

Line 35, Interest

Interest expense incurred on short-term and long-term loans and mortgages.

Interest expense associated with point of care software applications must be reclassified to Line 10.

Line 36, Other General Administrative Expenses

This line is provided to cover costs for such various general administrative expenses as office supplies, telephone, postage, bank service charges, dues, licenses, subscriptions, advertising, etc. Attach a schedule listing the account names and amounts used for this total.

Line 37, Unassigned

(ICF/IID 16 Bed Private; Expense included on this line should meet the criteria for the Administrative and Operating Cost Category)

Line 38, Total General Administration

5. Provider Fee

Line 39, Provider Fee

Cost of the provider fee paid monthly to the Department of Human Services.

6. Other Costs

Line 40, Federal and State Income Taxes

Federal and State Income Taxes (not personal taxes). These are non-allowable expenses and should be adjusted to zero by an entry of the same amount in Column 6. A zero is already shown in Columns 7 and 9 for this item.

Line 41, Utilization Review (UR) and Medical Review
Reimbursement to physicians on the UR committee and other staff functions related to implementing the facility's UR plan.

Line 42, Total Other Costs

Line 43, Total All Costs

Line 44, Total Compensation-Administrator
This section on the bottom of Form 5 is for Administrator's salary, fringe benefits, and other reimbursed costs.

This listing is to be used only as a guideline and is not all inclusive for all expenses that are to be included in an expense account.

F. Form 6 Schedule of Fixed Assets and Depreciation

1. Date Acquired
Identify the month/year in which the equipment was acquired. Use "various" if the assets were acquired in many different years.
2. Cost or Other Basis
Enter the actual cost of the assets.
3. Salvage Value
Identify salvage value if used.
4. Depreciable Base
Cost or other basis less salvage value.
5. Accumulated Depreciation
Enter the totals of depreciation claimed this period plus the total accumulated depreciation from the prior year. The total of this column will agree with the amount of Accumulated Depreciation reported on Form 10, Current Year Column, Line 12.
6. Life or Rate
Enter the number of years or the equivalent rate over which the asset is being depreciated. In the case of many different lives in any classification of assets, enter "various".
7. Depreciation Claimed this Period
Calculate by dividing the depreciable base by the useful life. The total of this column should agree with the amount reported on Form 5, Line 26, Column 7.

G. Form 7

1. Facility Transactions with Businesses Having Common Ownership

The purpose of this schedule is to identify costs for which reimbursement is claimed for services or supplies furnished to the facility by related organizations as described in Section 3-1.F.2.

The line number column is used to identify which Form 5 line number includes the related party expense. Balance sheet items should be referenced to the proper line on Form 10. Provide the amount, the name of the related business, the percentage ownership the related business has in the facility, or the percentage of ownership the facility has in the related business as indicated by the column headings.

2. Rental of Property, Plant and Equipment

List any leases pertaining to the property, plant and equipment. Identify the leased item, the amount of rent applicable to the current reporting year and the terms of the lease including the amount of the monthly payment, the interest rate, the life of the lease, and the effective date of the lease.

If rental/lease costs claimed on Form 5 are different from the facility's actual costs due to allowable reimbursement limits, state the difference and specify the reason. Identify rentals/leases for which the costs to the related organization are claimed instead of the lease payments.

H. Form 8 Computation of Per Diem Rate For Facilities With Less Than 85% Occupancy

This form is to be used only if the total occupancy rate was below 85%. If the occupancy level was below 85%, the lower level of occupancy will apply to variable cost. The fixed cost will have to be adjusted to an 85% occupancy level.

Separate allowable costs between fixed and variable costs. To calculate a per diem, divide total variable costs by actual resident days and divide total fixed costs by the resident days at 85%. Total the per diem for variable costs and the per diem for fixed costs to obtain the total per diem. Enter the total per diem on Form 2, Line 11.

I. Form 9 Schedule of ICF/IID Private Pay Rates

This form should be completed by listing the facility's private pay rates during the reporting period. If a change of rates occurred during the period, list each rate

structure and the dates the rates were in effect. The rates may be shown either as per diem or monthly charges.

J. Form 10 Comparative Balance Sheet

1. Line 1, Cash on Hand and in Banks
Includes all funds actually on hand or in bank accounts subject to immediate withdrawal. Savings deposits, certificates of deposit, etc., are to be classified under investments.
2. Line 2, Accounts and Notes Receivable
Represent monies due the facility for services rendered to residents or amounts due from creditors, (i.e. notes receivable, advances, etc.) as of the balance sheet date. The dollar amount recorded on the schedule will represent gross accounts and notes receivable less accounts and notes receivable from related parties and less, if so recorded, an allowance for uncollectable accounts and notes receivable.
3. Line 3, Accounts and Notes Receivable From Related Parties
Represent amounts owed the Facility by related parties as of the balance sheet date.
4. Line 4, Inventories
Designate those goods awaiting sale or use, and exclude those long-term assets subject to depreciation. Inventories are normally conservatively priced at the lower of "cost or market" values. List the method at which the inventory is priced in space provided. Inventories may include dietary supplies, housekeeping and linen, other, etc. in accordance with the practice in each individual facility.
5. Line 5, Investments
Investments are normally permanent or long-term securities with value, but are normally not available for immediate withdrawal. Investments include stocks and bonds, savings accounts, certificates of deposit, etc.
6. Line 6, Prepaid Expenses and Deposits
Prepaid expenses represent the portion of the expenditures which will be carried forward into the next accounting period. Examples of prepaid expenses include membership dues, insurance premiums, rent, service contracts, etc. Utility deposits are examples of deposits.
7. Line 7, Total Current Assets
Total of Lines 1 through 6.

8. Line 8, 9, 10, 11, and 12, Property, Plant and Equipment
Includes the following classifications: Land, Buildings, Leasehold Improvements, and Equipment. The total accumulated depreciation for all classifications should be entered on Line 12. Lines 8 through 12 must agree with the amounts entered on the depreciation schedule on Form 6. Equipment should be divided into departmental equipment, office furniture and fixtures, and transportation equipment on the detailed depreciation schedule on Form 6.
9. Line 13, Total Property, Plant and Equipment
Total Property, Plant and Equipment is the net book value of the property, plant and equipment listed on Lines 8 through 11 less the allowance for depreciation on Line 12.
10. Line 14, Total Assets
Total assets is the Total Current Assets plus the Total of the Property, Plant and Equipment (Line 13).
11. Line 15, Accounts Payable
Represents liabilities on daily transactions normally kept on open account for goods and services purchased. This amount should exclude accounts payable to related parties.
12. Line 16, Accounts Payable to Related Parties
Represent liabilities kept on open account and owing related parties.
13. Line 17, Notes Payable
Represents amounts due creditors other than related parties and normally evidenced by written instruments and due within one year from the end of the reporting period.
14. Line 18, Notes Payable to Related Parties
Represents amounts such as loans due to related parties and evidenced by written instruments. Amount shown should be due within one year from the end of the reporting period.
15. Line 19, Accrual Salaries, Wages, Fees Payable
Represent the salaries and wages earned by employees but not paid during the accounting period. To be recognized as an allowable expense, accrued salaries must be paid within 30 days after the close of the cost reporting period.
16. Line 20, Deferred Income
Deferred Income is a liability if revenue is received before it has been

earned. Services which will be rendered in a future accounting period for which monies have been collected is an example of deferred income.

17. Line 21, Total Current Liabilities
Total of Lines 11 through 16.
18. Line 22, Mortgage Payable
Mortgage Payable is the amount of any mortgages due over one year from the end of the current reporting year. The current portion of a mortgage due within one year should be included in Current Liabilities.
19. Line 23, Notes Payable
Includes all notes owed creditors other than related parties and due over one year from the end of the current reporting year.
20. Line 24, Notes Payable to Related Parties
Includes the portion of notes owed to related parties and due over one year from the end of the reporting period.
21. Line 25, Other (Specify)
Includes any long-term liabilities that do not fall into the categories of mortgages or notes. The type and amount of these liabilities should be specified and if necessary for clarity detailed on a separately attached schedule.
22. Line 26, Total Long-Term Liabilities
Total of Lines 22 through 25.
23. Line 27, Total Liabilities
Total Liabilities is the Total Current Liabilities (Line 21) plus the Total Long-Term Liabilities (Line 26).
24. Line 28, Owner's Equity
Owner's Equity is for the investment made in the facility by the owner or owners. Use this line for proprietorships and partnerships.
25. Line 29, Capital Stock Outstanding
Represents the investment by the stockholders in the corporation. The amount outstanding on the balance sheet date will be the amount shown. Either Line 28 or 29 will be filled out as applicable to the facility. Both lines will not be used.
26. Lines 30 through 34, Surplus
Includes retained earnings and represents accumulated earnings after all expense and distributions have been paid. The surplus portion of the

balance sheet reflects the surplus at the beginning of the year, the addition of the profit for the year or deduction of the loss for the year, other surplus transactions and the new surplus balance at the end of the year on the balance sheet date.

27. Line 35, Total Liabilities and Capital
Total Liabilities and Capital is the total of Lines 27 and 34. This total amount should equal the amount reported on Line 14 Total Assets.

4-4B Chart of Accounts

<u>CASH</u>	<u>ACCOUNT NAME</u>	<u>ACCOUNT DESCRIPTION</u>
110.00	Cash in Bank – General	Cash on deposit in a checking account at a local bank.
111.00	Cash in Bank – Payroll	Cash on deposit in a checking account used for payroll purposes only. The balance in this account is usually offset by payables for payroll and withholding.
114.00	Cash in Bank – Savings	Cash on deposit in bank or Savings and Loan earning interest income.
116.00	Resident Trust	Funds left with the facility by residents for safekeeping which is either cash on hand or in a checking account on deposit.
118.00	Petty Cash	Amount of cash retained on the premises to meet the daily requirements for small purchases or to make change for residents and visitors.
<u>ACCOUNTS RECEIVABLE</u>		
120.00	Private	Amounts due from Private or self-pay residents.
121.00	Medicare	Amounts billed to the Medicare Title XVIII fiscal intermediary.
122.00	Medicaid	Amounts due from Department of Human Services (DHS).
130.00	Allowance for Doubtful Accounts	Estimate of accounts receivable which will not be collected.
<u>INVENTORY</u>		
135.00	Nursing Supplies	The value of supplies on hand used for the professional care of the resident (i.e., medical and nursing supplies).
136.00	Food	The value of food and food supplies on hand.
137.00	Linen	The cash value of sheets, blankets, pillow cases and gowns on hand.
<u>PREPAID EXPENSES</u>		
145.00	Insurance	Insurance premiums paid in a current period that apply to coverage in a future period.
146.00	Real Estate Taxes	Real estate taxes paid in advance which apply to future cost reporting periods.
147.00	Personal Property Taxes	Taxes levied on furniture and equipment which are paid and applied to future cost reporting periods.
<u>FIXED ASSETS</u>		
151.00	Land - Nursing Home	Cost of land that is used as the site of the facility building.

152.00	Land Improvements	Cost of paving, parking lot improvements, lighting standards, shrubs or other land improvement not attached to the building, but associated with facility's providing resident care.
155.00	Buildings	The cost of buildings used in providing resident care.
156.00	Building Improvements	The cost of any remodeling done to buildings used in providing resident care.
160.00	Equipment	Cost of equipment which has sufficient individuality and size to make feasible control by identification tag or number, (e.g., beds, x-rays apparatus, filing cabinets, typewriters, desks, ovens, freezers).
164.00	Vehicles	Cost of automotive vehicles owned by the facility.
166.00	Leasehold Improvements	The cost incurred by the facility for improvements on rented or leased property used for resident care.

ACCUMULATED DEPRECIATION

170.00	Accumulated Depreciation	Depreciation expense taken during the current as well as prior years on the above assets.
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OTHER ASSETS

181.00	Deposits – Utilities	Amounts on deposit as security with utility companies.
182.00	Deposits – Leases	Amounts on deposit (or last month's rent paid at the beginning of a lease) with lessor as security.
183.00	Organization Costs	Net costs incurred in formation of the business the benefits of which will be received over future periods.
184.00	Goodwill	Difference, recorded on the books of purchaser, between the purchase price and the book value of the net tangible assets of an acquired operating entity. Includes any amounts paid to the seller for the permit of approval licensure, covenants not to compete, etc..

CURRENT LIABILITIES

201.00	Accounts Payable	Amounts due to suppliers for services rendered or supplies received.
205.00	Payroll Payable	Payroll amounts due to employees, not yet paid.
207.00	Resident's Deposits	Amounts owed to residents for funds left with the facility for safekeeping.

PAYROLL WITHHELD

221.00	Federal Income Tax	Amounts of Federal Income Tax withheld from employee's gross pay, not yet remitted.
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222.00	FICA (Social Security)	FICA withheld from employee's gross pay, not yet remitted.
223.00	State Income Tax	Amount of State Income Tax withheld from employee's gross pay, not yet remitted.
226.00	Union Dues	Amount of Union Dues withheld from employee's gross pay.
227.00	Insurance	Amount of insurance premiums withheld from employee's gross pay.

ACCRUAL TAXES

230.00	FICA (Social Security)	Social Security taxes owed by employer in addition to those withheld from employees.
231.00	SUI (State Unemployment)	State Unemployment Insurance payroll tax owed by the employer.
232.00	FUI (Federal Unemployment)	Federal Unemployment Insurance payroll tax owed by the employer.
235.00	Disability	Disability or Workmen's Compensation premiums owed by the employer.

OTHER ACCRUAL TAXES

241.00	Real Property Tax	Amount owed for taxes levied upon the real property (land and buildings) owned by the facility.
242.00	Personal Property Tax	Amount owed for taxes levied upon the personal property (furniture and equipment) owned by the facility.
243.00	Federal Income Tax	Amount due to Federal Government for taxes levied by it on the net income of the facility.
244.00	State Income Tax	Amount due to the state for taxes levied by it on the net income of the facility.
245.00	Sales Tax	Taxes, passed on to customers or residents, levied on the retail sales of the facility, which are owed by the facility to state or local governments.

CONTRACTUAL OBLIGATIONS

253.00	Medicare	Amount Due to the Title XVIII fiscal intermediary based on Cost Settlements.
255.00	Medicaid	Amount due to the Department of Human Services.

LONG TERM LIABILITIES

261.00	Mortgage Payable	Amount due on mortgages, against the facility's real property and improvements owned, with term longer than one year.
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263.00	Note Payable	Amount due on secured notes payable with term longer than one year. Note that amount due to owner and/or related organizations should be separated.
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EQUITY

301.00	Capital	Owner's capital at balance sheet date.
392.00	Retained Earnings	Accumulated earnings after income taxes and after dividends have been paid to stockholders.
393.00	Net Profit of (Loss)	Net profit or (loss) from operations for current year to date before provisions for income taxes have been made.

PROPRIETOR DRAW

395.00	Proprietor Draw	Amount withdrawn from the business by the owner(s) in cases where the facility is not a corporation.
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ROUTINE REVENUE

The gross charges made to residents for room and board services, including general nursing, dietary, housekeeping, and all other commonly used services available to all residents and normally expressed as a daily or monthly rate.

402.00	Private	All routine revenue for self-pay residents and other third party covered residents.
403.00	Medicare	All routine revenue for Title XVIII coverage including amounts paid by the Intermediary as well as coinsurance payments.
404.00	Medicaid	All routine revenue for Title XIX coverage including amounts paid by the state as well as resident liability payments.

ANCILLARY REVENUE

410.00	Physical Therapy	Revenue associated with the following types of services performed by a registered physical therapist or under his supervision. Including (1) evaluating residents by applying tests of functional ability, nerves, muscles, etc., and (2) treating residents to relieve pain, restore functions and maintain performance, using physical means such as exercise, heat, water and electricity.
412.00	Pharmacy	Revenue associated with drugs and pharmaceuticals prescribed by the attending physician.
414.00	Speech Therapy	Revenue associated with the provision by a registered speech therapist of services which include providing assistance to the physician in evaluating residents to determine the type of speech disorder; recommending appropriate therapy and providing rehabilitative services.

416.00	Oxygen (Inhalation Therapy)	Revenue associated with the provision of that service providing inhalation of medications with the aid of special appliances and compressed gases for the purpose of correcting respiratory disease or alleviating respiratory symptoms.
418.00	Nursing Supplies	Revenue for medical and surgical supplies which are chargeable to residents (e.g., catheters, colostomy bags, dressings, syringes).
<u>OTHER REVENUE</u>		
430.00	Television	Revenue earned from rental of televisions to residents.
432.00	Beauty and Barber	Revenue derived from the provision of beauty and barber services to residents.
434.00	Personal Items	Revenue derived from the sale of personal items such as toothpaste, razor blades, shaving cream, etc.
436.00	Vending Machines	Revenue derived from the sale of products in vending machines, such as candy bars and soda pop.
438.00	Rental	Revenue derived from rental of space or equipment.
440.00	Interest	Interest earned on cash deposits, investments or notes and accounts receivable.
441.00	Meal Income	Revenue from meals sold to guests and employees.
442.00	Laundry Income	Revenue derived from doing personal laundry for residents.
<u>DEDUCTIONS</u>		
501.00	Contractual Adjustments	Adjustments made to resident care revenue to reflect estimated cost settlements with a third party. These adjustments are usually made as a result of an agreement to accept cost as payment from a contracting agent.
503.00	Medicare	Adjustments to Title XVIII covered charges.
505.00	Medicaid	Adjustments to Title XIX covered charges.
<u>ALLOWANCES</u>		
522.00	Private	Offsets to gross charges for self-pay residents and other third party covered residents.
524.00	Medicare	Offsets to gross charges for Title XVIII residents.
526.00	Medicaid	Offsets to gross charges for Title XIX charges.

NURSING

601.00	Salary - Director	Gross salary (includes sick pay, holiday pay and vacation pay) of Director of Nursing who is in a supervisory position.
602.00	Salaries - RN's	Gross salaries of Registered Nurses.
603.00	Salaries - LPN's	Gross salaries of Licensed Practical Nurses.
604.00	Salaries - Aides & Orderlies	Gross salaries of unlicensed personnel.
606.00	Supplies	Cost of items for which a separate identifiable charge is not usually made such as swabs, tongue depressors, cotton balls.
606.10	Supplies – Point of Care	Cost of Point of Care Software Applications that does not require capitalization.
607.00	Oxygen	Cost of oxygen for which a separate charge is not usually made.
608.00	Non-Prescription Drugs	Costs of items for which a separate charge is not usually made such as Milk of Magnesia, Rubbing Alcohol.
609.00	Inservice	Costs of training and education of all Nursing personnel.

RESTORATIVE

621.00	Salaries	Gross salaries of personnel providing restorative services to the facility, for which a separate charge is not usually made to the residents.
622.00	Consultants	Fees paid to personnel not on the facility payroll for which a separate charge is not usually made to the residents.
623.00	Physical Therapy	
624.00	Speech Therapy	
625.00	Inhalation Therapy	
626.00	Occupation Therapy	

ALLOWANCES

631.00	Supplies	Cost of supplies and other restorative services.
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ACTIVITIES

641.00	Salaries	Gross salaries of personnel providing recreational programs to residents such as arts & crafts, church services and other social activities.
642.00	Supplies	Cost of consumable items used in the activities program (e.g., games, puzzles, art supplies).
649.00	Income	Revenue derived from the sale of arts & crafts items.

SOCIAL SERVICES

661.00	Salaries	Gross salaries of personnel providing Social Services.
662.00	Supplies	Cost of consumable items used in providing Social Services (e.g., office supplies).

MEDICAL RECORDS AND SERVICES

663.00	Salary - Medical Director	Gross salaries of doctors providing advisory, educational and emergency medical services to the facility.
664.00	Salaries - Medical Records	Gross salary of licensed medical librarian.
665.00	Consultants - Medical Directors	Fees paid to a physician to act as a medical director.
667.00	Medical Records	Fees paid to a licensed medical records librarian.
668.00	Utilization Review	Fees paid to physicians attending utilization review committee meetings.
671.00	Supplies	Cost of supplies including nursing and charting forms, admission forms, medication and treatment records, Physician order forms, etc..

DIETARY

681.00	Salaries	Gross salaries of kitchen personnel including dietary supervisor, cooks, helpers and dishwashers.
682.00	Supplies	Cost of consumable items such as soap and detergent, napkins, paper cups, straws, etc..
683.00	Dishes and Utensils	Cost of knives, forks, spoons, plates, cups, saucers, bowls and glasses.
684.00	Consultants	Fees paid to consulting dietitians.
685.00	Purchased Services	Cost of other services.
686.00	Food	Cost of raw food.

LAUNDRY

701.00	Salaries	Gross salary of laundry personnel.
702.00	Linen	Cost of sheets, blankets, pillows and gowns.
703.00	Supplies	Cost of consumables used in the laundry including soap, detergent, starch and bleach.
704.00	Purchased Services	Cost of other services including commercial laundry services.

HOUSEKEEPING

721.00	Salaries	Gross salary of housekeeping personnel including housekeepers, maids and janitors.
722.00	Supplies	Cost of consumable housekeeping items including waxes, cleaners, soap, brooms and lavatory supplies.
723.00	Purchased Services	Cost of other services.

MAINTENANCE

741.00	Salaries	Gross salary of personnel involved in operating and maintaining the physical plant, including maintenance men or plant engineer.
742.00	Supplies	Cost of supplies used in maintaining the physical plant including light bulbs, nails, lumber, glass, etc..
743.00	Painting	Supplies and services.
744.00	Gardening	Supplies and services.
745.00	Purchased Services	Cost of other services including electricians, plumbers, locksmiths, etc..
746.00	Repairs and Maintenance	Supplies and services involved with repairing the building and equipment.

ADMINISTRATION SALARIES

761.00	Administrator	Gross salary of individual responsible for administering the activities of the facility.
762.00	Assistant Administrator	Gross salary of person directly assisting the Administrator.
763.00	Bookkeeping	Gross salaries of personnel responsible for accumulating and maintaining financial and statistical records.
764.00	Receptionist	Gross salaries of personnel answering telephones, greeting visitors, answering questions and performing secretarial functions.

GENERAL

765.00	Management Fees	Cost of fees paid to a related organization such as a home office or another division of the same company, for providing overall management and direction.
766.00	Advertising - Other	The cost of advertisements in magazines, newspapers, trade publications, radio, TV and yellow pages.
767.00	Advertising - Want Ads	Cost of advertising to recruit new employees.
768.00	Telephone	Cost of telephone service.
769.00	Dues and Subscriptions	Cost of subscribing to newspapers, magazines and periodicals, and of dues paid for membership in industry associations.
770.00	Insurance - Liability	Cost of insuring the facility against injury and malpractice claims.
771.00	Photo Copy	Cost of copying equipment and supplies.
772.00	License	Fees for licenses including state, county and local business licenses as well as nursing home and administrator licensing fees.

773.00	Equipment Rental	Cost of rented equipment used in the business office, (e.g., postage meter, adding machine).
774.00	Office Supplies	Cost of consumable items used in the business office, (e.g., pencils, erasers, paper, staples).
775.00	Printing	Cost of printing up forms and stationary including accounting and census forms, charge tickets, facility letterhead and billing forms.
776.00	Postage	Cost of postage including stamps, metered postage and freight charges.
777.00	Bank Charges	Cost of processing checks and other related charges.
778.00	Professional - Accounting	Fees paid to auditors and accountants.
779.00	Professional - Legal	Fees paid to attorneys.
780.00	Professional - Other	Fees, other than legal or accounting paid for professional services, for example personnel or labor relations consultation.
781.00	Payroll Processing	Fees paid to banks, data processing companies, or accounting firms for preparing the facility payroll.
782.00	Financials	Fees paid to data processing organizations, or accounting firms for producing the facility's general ledger, financial statements and other computer reports.
783.00	Purchased Services	Cost of other services.
784.00	Travel	Cost of travel (airfare, lodging, meals, etc.) by administrator and other authorized personnel.
785.00	Auto	All costs of maintaining autos or other vehicles including depreciation interest, rental payments, gas, oil, tires and maintenance, taxes and licenses as well as auto insurance.
786.00	Seminars and Training	Cost of and fees for attending seminars or training sessions for non-nursing personnel.
787.00	Public Relations	Cost of promotional expenses including brochures and other informational documents regarding the facility. Do not include advertising costs.
788.00	Governing Body	Cost of Governing Body.
789.00	Provider Fee	Cost of the provider fee paid monthly to the Department of Human Services.

PAYROLL TAXES AND BENEFITS

801.00	FICA (Social Security)	Cost of Employer's portion of Social Security tax.
802.00	SUI (State Unemployment)	State Unemployment Insurance costs.
803.00	FUI (Federal Unemployment)	Federal Unemployment Insurance costs.

806.00 Workmen's Compensation

Cost of Workmen's Compensation Insurance.

807.00 Health Insurance Cost of Employer's contribution to employee Health Insurance.

808.00 Group Life Insurance Cost of Employer's contribution to employee Group Life Insurance Plan.

UTILITIES

821.00 Heating (Fuel) Cost of heating oil, natural gas or coal.

822.00 Electricity Self-Explanatory.

823.00 Water, Sewer and Garbage Self-Explanatory.

831.00 Real Property Taxes Amount of taxes levied on the facility's land and buildings.

832.00 Personal Property Taxes Amounts of taxes levied on the facility's property and equipment.

833.00 Insurance - (Property) Cost of fire and casualty insurance on facility buildings and equipment.

COST OF CAPITAL

DEPRECIATION

841.00 Land Improvements Depreciation on improvements having a limited life made to the land of the facility, (e.g., paving, landscaping).

842.00 Building Depreciation on the facility's buildings.

843.00 Building Improvements Depreciation on major additions or improvements to the facility. For example, new laundry or dining room.

844.00 Equipment Depreciation on items of equipment. For example beds, chairs, floor polishers, office machines, stoves and washing machines.

844.10 Point of Care Equipment Depreciation expense associated with point of care software applications.

845.00 Leasehold Improvements Depreciation on major additions or improvements to building or plant where the facility is leased and the costs of the changes are incurred by the lessee (tenant).

RENT

851.00 Building Rental amounts paid by the facility on all rented or leased real property (land and building).

852.00 Equipment Rental amounts paid by the facility for leased or rental furniture and equipment.

852.10 Point of Care Equipment Rent expense associated with point of care software applications.

INTEREST

856.00	Building	Interest paid or accrued on notes, mortgages and other loans, the proceeds of which were used to purchase the facility's real property. (Land and building).
857.00	Equipment	Interest paid or accrued on notes, chattel mortgages and other loans, the proceeds of which were used to purchase the facility's equipment.
857.10	Point of Care Equipment	Interest expense associated with point of care software applications.

AMORTIZATION

861.00	Deferred Financial Costs	Amortization of legal and other costs incurred when financing or refinancing the facility. They should be spread over the life of the new mortgage.
862.00	Deferred Org. Cost	Amortization of the legal and other costs of bringing a business into existence. They should be spread over a 60 month period.

ANCILLARY EXPENSE

Cost or services for which a separate identifiable charge is or should be made, in addition to the routine charges.

871.00	Physical Therapy Salaries	Gross salaries of those employees engaged in providing physical therapy services.
872.00	Physical Therapy - Purchased Services	Cost of physical therapy services performed on a contract basis by other than employees.
873.00	Supplies	Cost of consumable items used by the physical therapy department.
875.00	Occupational Therapy - Purchased Services	Cost of occupational therapy services performed on a contract basis.
876.00	Speech Therapy - Purchased Services	Cost of speech therapy services performed on a contract basis.
878.00	Oxygen - Purchased Services	Cost of inhalation therapy services performed on a contract basis.
879.00	Supplies	Cost of consumable items used in the provision of inhalation therapy services.
880.00	Occupational Therapy Salaries	Gross salaries of those employees engaged in occupational therapy services.
881.00	Supplies	Cost of consumable items used by the occupational therapy department.

OTHER ANCILLARY

882.00	Supplies	Cost of medical and surgical supplies which are chargeable to residents (e.g., catheters, colostomy bags, dressings and syringes).
885.00	Laboratory - Purchased Services	Cost of laboratory procedures performed on a contract basis.
886.00	X-Ray - Purchased Services	Cost of X-Ray services performed on a contract basis.
887.00	Pharmacy	Cost of drugs and pharmaceuticals prescribed by the attending physician.

NON-ALLOWABLE

888.00	Barber and Beautician	Costs directly related to the provision of beauty and barber services to residents.
889.00	Personal Items	Cost of the personal items such as cigarettes, tooth paste, shaving cream, etc. sold to residents.

890.00	Vending Machines	Cost of items sold to employees and residents including candy bars and soft drinks.
891.00	Television	Cost of television sets used in the resident rooms.
892.00	Gift Shop	Cost of products sold in the gift shop and other costs that are directly associated with the sale of these products.
893.00	Insurance - Officers	Cost of life insurance on officers and key employees of the facility, other than group life insurance.
894.00	Income Taxes	Taxes on net income levied or expected to be levied by the Federal or State Government.
895.00	Contributions	Amounts donated to charitable or other organizations.
896.00	Bad Debts	Accounts receivable written off as uncollectable.
897.00	Goodwill	Amortization of amounts paid for a facility in excess of the book value of its tangible assets.
898.00	Advertising	Cost of advertising not related to recruiting new employees.
899.00	Other Nonallowable	Cost of other nonallowable services and purchases. Attach a schedule.

Chapter 5 - Instruction for Managing Resident Funds

5- 1 Protection of Resident Funds

The resident has the right to manage his or her financial affairs, and the facility may not require residents to deposit their personal funds with the facility. But many residents are unable or unwilling to manage their own financial affairs and do not have a responsible party that will manage their funds. In this case the facility must hold, safeguard, manage and account for the personal funds deposited with the facility. The facility will manage the personal allowance funds for residents when a responsible third party does not exist to handle these funds and the following circumstances exist. Each of these situations must be documented in writing.

- A. When a resident is adjudicated by state law as incompetent.
- B. When the resident's file contains a physician's statement that the resident is not capable of managing their own funds.
- C. Residents who have no one to manage their financial interest and request the home to do so.
- D. Residents whose family requests the facility to manage their funds.

When the facility assumes the responsibility for managing a resident's personal funds, withdrawals by family members should not be allowed. If the family makes purchases on behalf of the resident, the family can be reimbursed from the resident trust fund by presenting a receipt to the trust fund custodian. This transaction should be properly recorded in the Participant Ledger file. Families who object to following these procedures should be advised that they will have to assume responsibility for managing the resident's money. This provision should be fully explained to the appropriate family members when the participation in the resident trust fund begins. The forms referenced in Section 5 of this manual can be found in **Section V** of the Arkansas Medicaid Provider Manuals by clicking the hyperlink within this sentence.

5-2 Responsibilities of the Facility

- A. The facility must establish and maintain a system that assures a full, complete and separate accounting of each resident's funds entrusted to the facility. An acceptable accounting system is described below.
- B. Resident funds cannot be commingled with facility funds or with the funds of any person other than another resident.

- C. The facility must deposit any Medicaid resident's personal funds in excess of \$50 in an interest bearing account that is separate from any of the facility's operating accounts, and that credits all interest earned on resident's funds to that account. (In pooled accounts, there must be a separate accounting for each resident's share.)
- D. Quarterly statements must be provided to each resident indicating account activity.
- E. The facility is required to notify each resident that receives Medicaid benefits:
 - 1. When the amount in the resident's account reaches \$200 less than the SSI resource limit for one person.
 - 2. That, if the amount in the account in addition to the value of the resident's other nonexempt resources, reaches the SSI resource limit for one person, the resident may lose eligibility for Medicaid or SSI.
- F. Facility will convey funds upon the death of a resident in the manner prescribed on **Page 5-5**.
- G. Personal funds cannot be charged for any item or service which payment is made under Medicaid or Medicare.
- H. Individuals handling personal funds must be bonded.
- I. The facility will be responsible for any fund shortages or failure to document account transactions by failing to collect or retain appropriate receipts or journals.
- J. Provide upon admission a **BENEFICIARY DESIGNATION FORM (Page 5-8)** that shall only be completed by the resident at the time of admission, identifying to whom the resident trust fund will be distributed in the event of death. The form must be completed in the presence of two witnesses who shall affix their signatures to the form as witnesses. If completed, the Beneficiary Designation Form shall remain permanently in the resident's file. No licensee, owner, administrator, employee, or representative of a long term facility shall be named as a beneficiary to such funds.

5-3 Accounting System Requirements

The facility must account for each resident's money in such a fashion as to safeguard the money and avoid theft and loss. The system outlined below is designed to maximize security and maintain records sufficient to properly account for personal funds. Although the facility's system does not have to be identical to the system outlined below, it must contain the major components and ensure the integrity and accountability of personal funds.

- A. Participant Ledger File - A ledger account must be maintained for each participant in the resident trust fund. This record must reflect all activity (deposits and withdrawals) involving the resident. **Page 5-6** identifies the required detail for each file. Separate balances must be maintained for amounts deposited into separate accounts. **Do not destroy completed or closed files**, as each one is a permanent record needed to document the activity in the residents account. Facility must ensure that account balances do not go negative. Negative balances will be made up by the facility.
- B. Collective Resident Bank Account (Checking) - The collective bank account is a single account for resident trust fund money. The records in the participant ledger file keep track of each resident, therefore separate resident checking accounts are not necessary. This account must be separate and distinct from all nursing home accounts. All checks written on this account must be for resident expenditures only. A register of all account activity must be maintained. The balance per register and balance per bank statement should be reconciled on the bank statement and retained. Entries on the register should reference the resident and the source. If this account is interest bearing, the facility must establish an equitable method for distributing interest earned on the account to the residents participating in the resident trust fund. Checks written on this account must then be posted to the appropriate participant ledger account.
- C. Interest Bearing Accounts (Savings) (applicable to Nursing Facility class only) - Federal regulation requires that resident funds in excess of current needs be deposited in an interest bearing account. When a participant's balance in the collective checking account reaches a balance of \$50.00, any additional funds must be placed in an interest bearing account. For simplicity, we recommend that a separate account be opened for each resident, but this is not required. If the facility decides to open a collective interest bearing account, the facility must maintain balances for each participant in their participant ledger file and must establish an equitable method for distributing interest earned on the account.
- D. Cash Maintained on Hand (Petty Cash) - To accommodate the residents needs for cash money, the facility must maintain a cash box or drawer containing petty cash. The petty cash fund should be an imprest system in that the fund always contains cash or petty cash journal entries (receipts) totaling the approved petty cash balance. The petty cash fund is established by writing a check on the residents' collective bank account, cashing it and placing the proceeds in the cash box or drawer. The size of the petty cash fund depends on the number of participants, their daily cash needs and the frequency that the fund can be replenished. As cash is distributed to participants from the petty cash fund, the transaction must be recorded on a petty cash journal,. The participant should sign the journal verifying that a distribution was made. Distribution to incompetent participants must be witnessed by a staff member other than the person managing the fund. As necessary, the fund should be replenished back to the original balance of the fund. At the point that the fund is replenished, petty cash activity as recorded in the petty cash journal should be posted to the participant's ledger file. Please remember that this petty cash fund is for

participating residents only and should not be used for any other purpose. Petty cash funds should be kept secure at all times.

- E. Reconciliation of All Funds - The facility must reconcile all account balances per the participant ledger file to all petty cash and bank account balances on a monthly basis. Any shortage identified must be made up by the facility.
- F. Receipt File - Receipts must be retained for any distribution made from any resident funds account. All receipts must be documented with the name of the resident, date of the receipt, amount and what the money was spent for. A folder must be maintained for each participant in the fund in which to put his receipts. The petty cash journal will serve as the receipt for cash money distributed to participants. The petty cash journal must be retained for this purpose.
- G. Procedures for creating a participant ledger file:
 - 1. The facility should retain written authorization from the resident, family or guardian that the facility is authorized to manage the resident's personal funds.
 - 2. Create a ledger account for each participant in the fund.
 - 3. Record the original transaction on the participant's ledger account indicating the date and amount. Indicate in the description column "Beginning Balance".
 - 4. Deposit the resident's money in the collective trust fund bank account.
 - 5. Prepare a receipt file and retain all receipts for this participant.
- H. Procedures for checking a participant out of the Trust Fund Account:
 - 1. Determine the participant's balance per the participant ledger file. (Ensure that all activity including petty cash transactions have been posted to the participant ledger file.)
 - 2. Record the closing distribution on the participant's ledger account, indicating the date and the amount. Indicate in the description column "to close account".
 - 3. Write a check on the collective trust fund bank account payable to the resident or other appropriate person in the case of a deceased participant.

4. If possible the resident or his representative should sign the authorization for expenditures column of the participant's ledger account. If the resident has already left, or in the case where the resident is deceased, write the address where you sent the check in the "Description" column.

5-4 Treatment of Deceased Resident Personal Trust Fund

In the event of the death of a resident, the facility administrator shall within 30 days of the resident's death provide an accounting and shall return all refunds and funds held in trust as detailed below. The administrator must determine if a personal representative has been appointed for the resident. If one has been appointed, then the personal trust funds shall be disbursed to that personal representative. If no such personal representative exists, then the facility administrator should disburse the funds to the named beneficiary designated by the resident on the form provided by the long term care facility or surviving spouse. If a personal representative, surviving spouse, or named beneficiary does not exist or cannot be located at the time of disbursement, the facility administrator shall deposit the funds into an interest bearing account in a bank, savings and loan association, trust company, or credit union located in this state and if possible, located within the same county in which the facility is located. The long term care facility needs to maintain only one account in which the trust funds amounting to less than one hundred dollars (\$100) of deceased residents are placed. However, it shall be the obligation of the long term care facility to maintain adequate records to permit compilation of interest due each individual resident's account. Separate accounts shall be maintained with respect to trust funds of deceased residents equal to or in excess of \$100. The facility shall maintain such account until such time as the trust funds are disbursed pursuant to the provisions of Arkansas' Probate Code.

At the time the funds are disbursed the nursing facility should notify DHS of the account on the DECEASED RESIDENT PERSONAL TRUST FUND FORM. If the resident trust fund is disbursed to a personal representative, a surviving spouse or a named beneficiary a BENEFICIARY RECEIPT FORM should be completed and a copy submitted along with the DECEASED RESIDENT PERSONAL TRUST FUND FORM.

These forms should be completed and submitted to:

Arkansas Department of Human Services
Third Party Liability
Estate Recovery
P.O. Box 1437 Slot 296
Little Rock, AR 72203-1437

CHAPTER 6 - INSTRUCTIONS FOR DAILY MIDNIGHT CENSUS

6-1 Daily Midnight Census

Long Term Care Facilities are required to maintain a daily midnight census of residents in their facility. Resident day information must be accumulated in a clear, accurate and auditable format. Resident day information is an important component of the cost reporting process. The daily midnight census documents resident day information stated on the facility's cost report. This information must be retained by the facility for no less than five years following the date cost reports are submitted to the Division of Medical Services. Facilities that do not maintain accurate and auditable census information are in violation of their provider agreement and may be subject to civil penalty.

The codes and form located in **Section V** of the Arkansas Medicaid Provider Manuals, provide an easily understood method for accumulating daily census information. The provider may utilize the codes and form or may construct their own form which contains all elements of the referenced form. The codes and form can be found by clicking the hyperlink, "**Section V**".

An actual physical census of a facility's residents should be conducted each midnight and recorded on the daily census form. This ensures that the day of admission is included as a resident day while the day of discharge is not.

Facilities that certify that occupancy levels are eighty-five percent (85%) or greater will be paid up to five (5) consecutive days for a leave of absence (LOA) to the hospital. The date on which the provider must meet occupancy requirements depends on their billing method. Providers billing on a TAD must certify eighty-five percent (85%) occupancy on the last day of the month the LOA occurred. Providers billing on an electronic billing system must certify eighty-five percent (85%) occupancy for the last day of the month previous to the LOA.

Facilities may bill for up to fourteen consecutive days for therapeutic home visits regardless of the occupancy rate.

LOA days paid for both hospital and therapeutic home visits must be properly identified on the daily census. These days are included in resident day totals for cost reporting purposes.

CODES FOR COMPLETING DAILY MIDNIGHT CENSUS

Resident Name: Enter Resident Roll

Pay Status: M = Medicaid
 E = Medicare
 V = Veteran's Administration
 P = Private Pay
 O = Other Third Party

Census Codes: LEVEL OF CARE
 S = Skilled
 A = Intermediate I
 B = Intermediate II
 C = Intermediate III
 D = ICF/IID

Present = Identify the RESIDENT as being present by placing the appropriate level of care designation for each day on the census roll sheet.

H = Paid Hospital Leave, Bed Reserved. Place an H for each day on the census roll sheet in addition to the level of care when a resident is in the hospital and the day is a paid day.

T = Paid Therapeutic Home Leave, Bed Reserved. Place a T for each day on the census roll sheet in addition to the level of care when a resident is on Therapeutic Home Leave and the day is a paid day.

_____ Deceased _____

_____ Transferred _____

_____ Discharged _____

X = Non-Paid Leave