

4902.70 WORKSHEET A-6 - RECLASSIFICATIONS

This worksheet provides for the reclassification of certain costs to effect proper cost allocation under cost finding. For each reclassification adjustment, assign an alpha character in column 1 to identify each reclassification entry, e.g., A, B, C. All reclassification entries must have a corresponding Worksheet A line number reference in columns 3 and 7. In column 10, indicate the column of Worksheet A-7 affected by the reclassification, where applicable. If more than one column on Worksheet A-7 is impacted by one reclassification, report each entry as a separate line to properly report each column affected on Worksheet A-7.

Submit with the cost report copies of any work papers used to compute the reclassifications effected on this worksheet.

Identify any reclassifications made as salary and non-salary costs in the appropriate column. However, when transferring to Worksheet A, column 6, transfer the sum of the two columns.

NOTE: Salary amounts paid to an employee in addition to direct salaries or wages (such as paid vacation, holiday, sick, other paid-time-off (PTO), severance, and bonus pay) must be reported on Worksheet A, column 1, of the same cost center as the employees' direct salaries and wages. For example, if the indirect salaries (such as paid vacation, holiday, sick, other paid-time-off (PTO), severance, and bonus pay) are reported on Worksheet A, column 4, of the cost center where the related direct salary and wages are reported, a reclassification entry must be made to reclassify them to a salary amount, for the cost center(s) in which the related direct salaries and wages are reported.

If there is any reclassification to general service cost centers for compensation of provider-based physicians, make the appropriate adjustment for RCE limitation on Worksheet A-8-2.

Examples of reclassifications that may be needed are:

1. Capital-related costs that are not included in one of the capital-related cost centers on Worksheet A, column 5. Examples include insurance on buildings and fixtures and movable equipment, rent on buildings and fixtures and movable equipment, interest on funds borrowed to purchase buildings and fixtures and movable equipment, personal property taxes, and real property taxes. Interest on funds borrowed for operating expenses is not included in capital related costs. It must be allocated with administrative and general expenses.
2. Wage-related costs (e.g., personnel department, employee health service, hospitalization insurance, workmen's compensation, employee group insurance, social security taxes, unemployment taxes, annuity premiums, past service benefits and pensions) included in the administrative and general cost center.
3. Insurance expense included in the administrative and general cost center and applicable to buildings and fixtures and/or movable equipment.
4. Interest expense included on Worksheet A, column 5, applicable to funds borrowed for administrative and general purposes (e.g., operating expenses) or for the purchase of buildings and fixtures or movable equipment.

5. Rent expenses included in the administrative and general cost center and applicable to the rental of buildings and fixtures and to movable equipment from other than related organizations. (See the instructions for Worksheet A-8-1 for treatment of rental expenses for related organizations.)
6. Any taxes (real property taxes and/or personal property taxes) included in the administrative and general cost center and applicable to buildings and fixtures and/or movable equipment.
7. Any dietary cost included in the dietary cost center and applicable to any other cost center.
8. Any direct expense included in the central service and supply cost center and directly applicable to other cost centers, e.g., IV therapy, Respiratory Therapy.
9. Any direct expenses included in the laboratory cost center and directly applicable to other cost centers, e.g., electrocardiology.
10. Any direct expenses included in the radiology diagnostic or radiology therapeutic/chemotherapy cost centers directly applicable to other cost centers, e.g., electrocardiology.
11. When you purchase services (e.g., PT) under arrangements for Medicare beneficiaries but do not purchase such services under arrangements for non-Medicare patients, your books reflect only the cost of the Medicare services. However, if you do not use the grossing up technique for purposes of allocating your overhead and if you incur related direct costs applicable to all patients, Medicare and non-Medicare (e.g., therapy aides who assist a qualified physical therapist by providing support and/or administrative services related to PT), such related costs are reclassified on Worksheet A-6 from the ancillary service cost center and are allocated as part of administrative and general expense.

However, when you purchase therapy services that include performing administrative functions such as completion of medical records, training, etc. as discussed in CMS Pub. 15-1, §1412.5, the bundled charge for therapies provided under arrangements includes the provision of these services. Therefore, for cost reporting purposes, these related services are NOT reclassified to A&G.

12. Rental expense on movable equipment that was charged directly to the appropriate cost center or cost centers must be reclassified on this worksheet to the capital-related movable equipment cost center unless the provider has identified and charged all depreciation on movable equipment to the appropriate cost centers.