

4903 B SERIES

On the B series of worksheets consists of the following:

- Worksheet B - Part I - Allocation of General Service Costs
- Worksheet B-1 - Cost Allocations - Statistical Bases
- Worksheet B - Part II - Allocation of Capital Related Cost
- Worksheet B-2 - Post Step-Down Adjustments

4903.10 WORKSHEET B - PART I - ALLOCATION OF GENERAL SERVICE COSTS AND WORKSHEET B-1 - COST ALLOCATIONS - STATISTICAL BASES

In accordance with 42 CFR 413.24(a), cost data must be based on an approved method of cost finding and on the accrual basis of accounting except where governmental institutions operate on the cash basis of accounting. Cost data based on such basis of accounting are acceptable subject to appropriate treatment of capital expenditures. Cost finding is the process of recasting the data derived from the accounts ordinarily kept by a provider to ascertain costs of the various types of services rendered. It is the determination of these costs by the allocation of direct costs and proration of indirect costs. The various cost finding methods recognized are outlined in 42 CFR 413.24. Worksheets B, Part I, and B-1 have been designed to accommodate the step-down method of cost finding.

A change in order of allocation and/or allocation statistics is appropriate for the current cost reporting period if received by the contractor, in writing, within 90 days prior to the end of the cost reporting period. The contractor has 60 days to render a decision or the change is automatically accepted. The change must be shown to more accurately allocate the overhead cost, or if the change is as accurate, should be changed due to simplification of maintaining the statistics. The provider must include with the request all supporting documentation and a thorough explanation of why the alternative approach should be used. If a change in statistics is requested, the provider must maintain both sets of statistics until an approval is made. If the request is denied, the provider must use the previously approved methodology. (See CMS Pub. 15-1, chapter 23, §2313.)

Worksheet B, Part I, provides for the allocation of the expenses of each general service cost center to those cost centers that receive the services. The cost centers serviced by the general service cost centers include all cost centers within the provider i.e., other general service cost centers, ancillary service cost centers, inpatient routine service cost centers, outpatient service cost centers, other reimbursable cost centers, cost reimbursed services, and nonreimbursable cost centers. The total direct expenses are obtained from Worksheet A, column 9.

Worksheet B-1 provides for the proration of the statistical data needed to equitably allocate the expenses of the general service cost centers on Worksheet B, Part I. To facilitate the allocation process, the general format of Worksheets B, Part I and B-1, is identical. Each general service cost center has the same line number as its respective column number across the top and is consistent with the cost centers and line numbers found on Worksheet A. The statistical basis shown at the top of each column on Worksheet B-1 is the recommended basis of allocation of the cost center indicated.

NOTE: General service columns 1 through 21 and subscripts thereof must be consistent on Worksheets B, Parts I and II; and H-2, Part I.

Most cost centers are allocated on different statistical bases. However, for those cost centers for which the basis is the same (e.g., square feet), the total statistical base over which the costs are allocated differs because of the prior elimination of cost centers that have been closed.

The general service cost centers are ordered sequentially such that the cost centers that render the most services to and receive the least services from other cost centers are listed first. When closing the general service cost centers, first close the cost centers that render the most services to and receive the least services from other cost centers. The cost centers are listed in this sequence from left to right on the worksheets. However, your circumstances may be such that a more accurate result is obtained by allocating to certain cost centers in a sequence different from that followed on these worksheets.

If the amount of any cost center on Worksheet A, column 9, has a credit balance, this must be shown as a credit balance on Worksheet B, Part I, column 0. Allocate the costs from the applicable overhead cost centers in the normal manner to such cost center showing a credit balance. After receiving costs from the applicable overhead cost centers, if a general service cost center has a credit balance at the point it is to be allocated, such general service cost center must not be allocated. Rather, enter the credit balance in parentheses on line 99 as well as on the first line of the column and on line 100. This enables line 100, column 21, to cross foot to line 100, columns 0 and 3A. After receiving costs from the applicable overhead cost centers, if a revenue producing cost center has a credit balance on Worksheet B, Part I, column 21, do not carry forward such credit balance to Worksheet C.

On Worksheet B-1, enter on the first line in the column of the cost center being allocated the total statistical base (including accumulated cost for allocating administrative and general expenses) over which the expenses are to be allocated (e.g., for column 1, CRC - B&F, enter on line 1 the total square feet of the building on which depreciation was taken). For all cost centers to which the capital-related cost is allocated, enter that portion of the total statistical base applicable to each. The sum of the statistical base applied to each cost center receiving the services rendered must equal the total base entered on the first line. Use accumulated cost for allocating A&G expenses.

Do not include any statistics related to services furnished under arrangements except where:

- both Medicare and non-Medicare costs of arranged for services are recorded in your records; or
- the contractor determines that you are able to (and do) gross up the costs and charges for services to non-Medicare patients so that both cost and charges are recorded as if you had furnished such services directly to all patients. (See CMS Pub. 15-1, chapter 23, §2314.)

Enter on Worksheet B-1, line 102, the total expenses of the cost center to be allocated. Obtain this amount from Worksheet B, Part I, from the same column and line number used to enter the statistical base on Worksheet B-1 (in the case of CRC - B&F, this amount is on Worksheet B, Part I, line 1, column 1).

Divide the amount entered on Worksheet B-1, line 102, by the total statistics entered in the same column on the first line. Enter the resulting unit cost multiplier on Worksheet B-1, line 103. Round the unit cost multiplier to six decimal places.

Multiply the unit cost multiplier by that portion of the total statistics applicable to each cost center receiving the services rendered. Enter the result of each computation on Worksheet B, Part I, in the corresponding column and line. (See §4900.10 for rounding standards.)

After the unit cost multiplier has been applied to all the cost centers receiving the services rendered, the total cost (line 100) of all of the cost centers receiving the allocation on Worksheet B, Part I, must equal the amount entered on the first line. The preceding procedures must be performed for each general service cost center. Each cost center must be completed on both Worksheets B, Part I, and B-1 before proceeding to the next cost center.

If a general service cost center has a credit balance at the point it is allocated on Worksheet B, Part I, do not allocate general service cost center. However, the statistic must be displayed departmentally. Do not calculate the unit cost multipliers on Worksheet B-1, lines 103 or 105.

Use Worksheet B-1, lines 104 and 105, in conjunction with the allocation of capital-related cost on Worksheet B, Part II. Complete Worksheet B-1, line 104, for all columns after completing Worksheets B, Part I, and B-1 and determining the amount of direct and indirect capital-related cost on Worksheet B, Part II. Worksheet B-1, line 105, for all columns is the unit cost multiplier used in allocating the direct and indirect capital-related cost on Worksheet B, Part II. Compute the unit cost multiplier after the amounts to be entered on line 104 have been determined by dividing the capital-related cost recorded on line 104 by the total statistics entered in the same column on the first line. Round the unit cost multiplier to six decimal places. (See instructions for Worksheet B, Part II, for the complete methodology and exceptions.)

After the costs of the general service cost center have been allocated on Worksheet B, Part I, enter in Worksheet B, Part I, column 19 the sum of the costs in Worksheet B, Part I, columns 3A through 18 for lines 25 through 93.

When an adjustment is required to expenses after cost allocation, show the amount applicable to each cost center in Worksheet B, Part I, column 20. A corresponding adjustment to Worksheet B, Part II, may be applicable for capital-related cost adjustments. Submit a supporting worksheet showing the computation of the adjustment in addition to completing Worksheet B-2.

Some examples of adjustments which may be required to expenses after cost allocation are (1) the allocation of available costs between the certified portion and the noncertified portion of a distinct part provider where there is a substantial difference in occupancy rates and (2) costs attributable to unoccupied beds of a SNF with a restrictive admission policy. (See CMS Pub. 15-1, chapter 23, §§2342 - 2344.3.)

After the adjustments have been entered on Worksheet B, Part I, column 20, adjust the amounts in Worksheet B, Part I, column 19, by the amounts in Worksheet B, Part I, column 20, and extend the new balances to Worksheet B, Part I, column 21, for each line. The total costs entered in Worksheet B, Part I, line 100, column 21, must equal the total costs entered in Worksheet B, Part I, line 100, column 0.

Transfer the totals in lines 30 through 47, column 21, and lines 64, 71, 80, and 81, column 21, from the Worksheet B, Part I, to the corresponding line on Worksheet C, column 1.

Transfer the totals in column 21:

From Worksheet B, <u>Part I, Column 21</u>	<u>To Worksheet D-1, Line 5</u>
Line 25, SNF	For SNF
Line 26, NF	For NF
Line 27, ICF/IID	For ICF/IID

The nonreimbursable cost center totals, lines 90 through 93, are not transferred.

Column Descriptions

Column 1.--Depreciation on buildings and fixtures and expenses pertaining to buildings and fixtures such as insurance, interest, rent, and real estate taxes are combined in this cost center to facilitate cost allocation.

Column 2.--Providers that do not directly assign the depreciation on movable equipment and expenses pertaining to movable equipment such as insurance, interest, and rent as part of their normal accounting systems must accumulate the expenses in this cost center.

Column 4.--Allocate the administrative and general expenses on the basis of accumulated costs. Therefore, the amount entered on Worksheet B-1, line 4, column 4, is the difference between the amount on Worksheet B, Part I, column 3A, and the amount entered on Worksheet B-1, column 4A.

A negative cost center balance in the statistics for allocating administrative and general expenses causes an improper distribution of this overhead cost center. Exclude negative balances from the allocation statistics.