

4909.20 WORKSHEET H-1 - PART I - ALLOCATION OF SNF-BASED HHA GENERAL SERVICE COSTS AND PART II - ALLOCATION OF SNF-BASED HHA GENERAL SERVICE COSTS - STATISTICAL BASIS

Worksheet H-1, Part I provides for the allocation of the expenses of each SNF-based HHA 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 SNF-based HHA, i.e., general service cost centers, HHA reimbursable cost centers, and HHA nonreimbursable cost centers. The net expenses for allocation are from Worksheet H, column 10. To facilitate transferring amounts from Worksheet H to Worksheet H-1, Part I, the same cost centers with corresponding line numbers (lines 1 through 49) are listed on both worksheets.

Worksheet H-1, Part II provides for the proration of the statistical data needed to equitably allocate the expenses of the SNF-based HHA general service cost centers on Worksheet H-1, Part I. If there is a difference between the total accumulated costs reported on the Part II statistics and the total accumulated costs calculated on Part I, use the reconciliation column on Part II for reporting any adjustments. See §4903.10 for the appropriate usage of the reconciliation columns. For componentized A&G cost centers, the accumulated cost center line number must match the reconciliation column number.

To facilitate the allocation process, the general format of Parts I and II are identical. The cost centers and line numbers are consistent with Worksheet H. The column and line numbers for each general, reimbursable, and nonreimbursable cost center are identical on the two parts of the worksheet.

The statistical bases shown at the top of each column on Worksheet H-1, Part II, are the recommended bases of allocation for the cost centers indicated. If a different basis of allocation is used, the agency must indicate the basis of allocation actually used at the top of the column.

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

Close the general service cost centers in accordance with 42 CFR 413.24(d)(1) which states, in part, that the cost of nonrevenue-producing cost centers serving the greatest number of other centers, while receiving benefits from the least number of centers, is apportioned first. This is further clarified in CMS Pub. 15-1, chapter 23, §2306.1, which also clarifies the order of allocation for step-down purposes. Consequently, first close those 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 worksheet. However, the circumstances of an agency 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.

The SNF-based HHA may elect to change the order of allocation and/or allocation statistics, as appropriate, for the current cost reporting period if a request is received by the contractor, in writing, within 90 days prior to the end of the cost reporting period. The contractor has 60 days to decide or the change is automatically accepted. The change must be shown to more accurately allocate the overhead cost or demonstrate simplification in maintaining the changed statistics. The SNF-based HHA 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 SNF-based HHA must maintain both sets of statistics until an approval is made. If the request is denied, the HHA must use the previously approved methodology. (See CMS Pub. 15-1, chapter 23, §2313)

If the amount of any cost center on Worksheet H, column 10, has a negative balance, show this amount as a credit balance on Worksheet H-1, Part I, column 0. Allocate the costs from the applicable overhead cost centers in the normal manner to the cost center showing a negative balance. After receiving costs from the applicable overhead cost centers, if a general service cost center has a negative balance at the point it is allocated; do not allocate the general service cost center. Rather, enter the negative balance on line 99, the first line of the column and on line 100. This enables line 100, column 9, to cross foot to line 100, columns 0 and 5A. If a cost center has a credit balance on Worksheet H-1, Part I, column 9, do not carry forward a credit balance to any worksheet.

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

Enter on Worksheet H-1, Part II, line 101, the total costs of the general service cost center to be allocated. Obtain this amount from Worksheet H-1, Part I, from the same column and line number used to enter the cost center total statistic on Worksheet H-1, Part II. For example, capital related - buildings and fixtures, total cost is recorded on Worksheet H-1, Part I, line 1, column 1 and the capital related - buildings and fixtures cost center total statistic is entered on Worksheet H-1, Part II, line 1, column 1.

Calculate on Worksheet H-1, Part II, line 102 the unit cost multiplier. This is derived by dividing the cost to be allocated from Worksheet H-1, Part II, line 101, by the total statistic entered in the same column on the first line. Round the unit cost multiplier to six decimal places.

Calculate on Worksheet H-1, Part I, in the corresponding column and line, the result of the unit cost multiplier (Worksheet H-1, Part II, Line 102) multiplied by the portion of the total statistic applicable to each cost center receiving the services rendered.

After the unit cost multiplier has been applied to all the cost centers receiving costs, the total expenses on Worksheet H-1, Part I, line 100, must equal the expense amount entered on the first line of the cost center being allocated.

The preceding procedures must be performed for each general service cost center. Each cost center must be completed on both Part I and Part II before proceeding to the next cost center.

After all the general service cost centers (lines 1-8) have been allocated to the HHA Reimbursable Services and HHA Non-Reimbursable Services cost centers on Worksheet H-1, Part I, enter the totals as follows: 1.) Enter in column 9, for lines 16 through 49, and line 99, the sum of the net expenses for cost allocation (from column 0) and the allocated expenses from the general service cost centers (from columns 1 through 8), and 2.) Enter in column 9, line 100, the sum of column 9 lines 16 through 49, and line 99. The total expenses entered on line 100, column 9, must equal the total expenses entered on line 100, column 0.

Column Descriptions for the Worksheet H-1, Part I

Column 1 - Capital Related - Buildings and Fixtures.--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. Allocate all expenses to the cost centers based on square footage of the occupied area.

Column 2 - Capital Related Costs Movable Equipment.--Allocate all expenses (e.g., interest, personal property tax) for movable equipment to the appropriate cost centers on the basis of dollar value or if approved, the alternative basis of square feet. A SNF-based HHA must request the use of the alternative method in accordance with CMS Pub. 15-1, chapter 23, §2313.

Column 3 - Plant Operation & Maintenance.--Allocate all expenses for the physical plant operation and maintenance to the appropriate cost centers based on square feet.

Column 4 - Transportation.--The costs of vehicles owned or rented by the SNF-based HHA and all other transportation costs that were not directly assigned to another cost center on Worksheet H, column 3, are included in this cost center. Allocate this expense to the cost centers to which it applies based on miles applicable to each cost center.

This basis of allocation is not mandatory and a SNF-based HHA may use weighted trips rather than actual miles as a basis of allocation for transportation costs that are not directly assigned. However, a SNF-based HHA must request the use of the alternative method in accordance with CMS Pub. 15-1, chapter 23, §2313. The SNF-based HHA must maintain adequate records to substantiate the use of this allocation.

Worksheet H-1, Part I, column 4A - Subtotal.--For each line 16 through 24, enter the sum of columns 0 through 4.

Column 5 - Telecommunication Technology.--Allocate all expenses for telecommunication technology to the appropriate cost centers based on accumulated costs. These expenses will only be allocated to the HHA Reimbursable Services cost centers reported in lines 16 through 24. Transfer the amounts from Worksheet H-1, Part I, column 4A, lines 16 through 24 to Worksheet H-1, Part II, column 5, lines 16 through 24, as the accumulated cost statistic.

Worksheet H-1, Part II, column 5A - Reconciliation.--Enter on line 5A the costs attributable to the difference between the total accumulated cost reported on Worksheet H-1, Part I, column 4A, line 100, and the accumulated costs reported on Worksheet H-1, Part II, column 5, line 5. If only a portion of the costs from a cost center are to receive an allocation, use the reconciliation column to reduce the allocation statistic by that amount to ensure proper allocation.

Worksheet H-1, Part I, column 5A - Subtotal.--For lines 16 through 24, enter the sum of columns 4A and 5. For lines 6, 7, 8, and 25 through 49, enter the sum of columns 0 through 4.

Worksheet H-1, Part I, column 6 - Administrative & General.--The A&G expenses are allocated based on accumulated costs after reclassifications and adjustments. Therefore, on Worksheet H-1, Part II, column 6, lines 7 through 49, enter the amounts from Worksheet H-1, Part I, column 5A.

A negative cost center balance in the statistics for allocating A&G expenses causes an improper distribution of this overhead cost center. Negative balances are excluded from the allocation statistics when A&G expenses are allocated based on accumulated cost.

When contract service costs include A&G costs, the contracted services must be excluded from the total cost statistic on Worksheet H-1, Part II, column 6. For purposes of determining the basis of allocation, use Worksheet H-1, Part II, column 6A, to adjust the allocation statistic on Worksheet H-1, Part II, column 6. This procedure may be followed when the SNF-based HHA contracts for services to be performed for the SNF-based HHA and the contract identifies the A&G costs applicable to the purchased services.

An HHA may establish multiple A&G cost centers (referred to as componentized or fragmented) by using one of two possible methodologies. The rationale for allocating the shared A&G service cost center first is that shared A&G cost centers service all other cost centers, while 100 percent of HHA A&G reimbursable and 100 percent of HHA A&G nonreimbursable only service their respective cost centers. That is consistent with 42 CFR 413.24(d)(1), which states, in part, that “the cost of nonrevenue-producing cost centers serving the greatest number of other centers, while receiving benefits from the least number of centers, is apportioned first.” Under the first methodology (also referred to as option 1), the HHA must classify all A&G costs as either A&G shared costs, A&G reimbursable costs, or A&G nonreimbursable costs. That is, 100 percent of the componentized A&G costs relate exclusively to either the HHA reimbursable or HHA nonreimbursable cost centers. The remaining costs are classified as A&G shared costs. The componentized A&G costs are allocated through cost finding to their respective cost centers in aggregate.

First, allocate A&G shared costs to all applicable cost centers, including to the A&G reimbursable and A&G nonreimbursable cost centers based on accumulated costs. Then allocate HHA A&G reimbursable costs to all applicable HHA reimbursable cost centers (not including special purpose cost centers) based on accumulated costs and allocate HHA A&G nonreimbursable costs to all applicable HHA nonreimbursable cost centers based on accumulated costs. Only A&G shared costs will be allocated to the special purpose cost centers. The following three A&G cost center categories will be created: (1) A&G shared costs, (2) 100 percent HHA reimbursable costs, and (3) 100 percent HHA nonreimbursable costs, in this order only. Do not allocate A&G reimbursable costs to the A&G nonreimbursable cost center. Calculate the accumulated cost statistics as follows:

A&G Cost Center	Sum of WS H-1, Part I	Transfer to WS H-1, Part II
A&G Shared Costs	Col. 5A, lines 6.02 through 49	Col. 6.01, lines 6.02 through 49
A&G Reimb. Costs	Col. 5A plus 6.01, lines 16 through 30	Col. 6.02, lines 16 through 30
A&G Nonreimb. Costs	Col. 5A plus 6.01, lines 39 through 49	Col. 6.03, lines 39 through 49

Under the second methodology (also referred to as option 2), unique A&G cost centers may be created (see CMS Pub. 15-1, chapter 23, §2313.1) to further refine the allocation process. The statistical basis used to allocate fragmented A&G costs must represent, as accurately as possible, the consumption or usage of A&G services by the benefiting cost centers. An HHA wishing to use an alternative allocation methodology (i.e., a change in allocation basis or the sequence of cost center allocation) must do so in accordance with CMS Pub. 15-1, chapter 23, §2313. The fragmentation of A&G costs may constitute a direct assignment of A&G costs and, as such, must follow the policy established under CMS Pub. 15-1, chapter 23, §2307.

Worksheet H-1, Part II, column 6A- Reconciliation.--Enter on line 6 the subtotal from Worksheet H-1, Part I, column 5A, line 6, as a negative amount. Enter any amounts reported on Worksheet H-1, Part I, column 5A, for (1) any service provided under arrangements to program patients that is not grossed up and (2) negative balances. Enter a negative one (-1) in the accumulated cost column to identify the cost center that should be excluded from receiving any A&G costs. If some of the costs from that cost center are to receive A&G costs then enter in the reconciliation column the amount not to receive A&G costs to assure that only those costs to receive overhead receive the proper allocation. Including these costs in the statistics for allocating administrative and general expenses causes an improper distribution of overhead.

For fragmented or componentized A&G cost centers, the accumulated cost center line number must match the reconciliation column number. Include in the column number the alpha character "A", i.e., if the accumulated cost center for A&G is line 6 (A&G), the reconciliation column designation must be 6A.

Worksheet H-1, Part II, column 6.--The administrative and general expenses are allocated based on accumulated costs. Therefore, the amount entered on Worksheet H-1, Part II, column 6, line 6, is the difference between the amounts entered on Worksheet H-1, Part I, column 5A, line 100 and Worksheet H-1, Part II, column 6A, line 6. 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.

Column 7, Nursing Administration.--Allocate all expenses for nursing administration to the appropriate cost centers based on direct nursing hours. Enter the direct nursing hours on Worksheet H-1, Part II, column 7.

Column 8 - Other General Service.--Allocate all expenses for other general service costs not identified in columns 1 through 7 using a statistical basis that will equitably allocate costs.

Transfer the amounts on Worksheet H-1, Part I, column 9, to Worksheet H-2, Part I, column 0, as follows:

<u>From Worksheet H-1</u> <u>Part I, Column 9</u>	<u>To Worksheet H-2,</u> <u>Part I, Column 0</u>
Line 16	Line 2
17	3
18	4
19	5
20	6
21	7
22	8
23	9
24	10
25	11
26	12
27	13
28	14
29	15
30	16
39	17
40	18
41	19
42	20
43	21
44	22
45	23
46	24
47	25
48	26
49	27