2017 Cost Report Training

Intermediate Care Facilities for Individuals with an Intellectual Disability or Related Conditions (ICF/IID), Home and Community-based Services (HCS) and Texas Home Living (TxHmL)

Updated March 2018
### For Assistance With

<table>
<thead>
<tr>
<th>Description</th>
<th>Telephone</th>
<th>E-mail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cost or Accountability Report completion, instructions, informal reviews</td>
<td>(512) 424-6637</td>
<td><a href="mailto:rad-ltss@hhsc.state.tx.us">rad-ltss@hhsc.state.tx.us</a></td>
</tr>
<tr>
<td>and/or general guidance</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost or Accountability Report Excusals</td>
<td>(512) 490-3193</td>
<td><a href="mailto:radcostreportverification@hhsc.state.tx.us">radcostreportverification@hhsc.state.tx.us</a></td>
</tr>
<tr>
<td>Cost Report Requests and Submission, Enrollment for Rate Enhancement,</td>
<td>(512) 490-3193</td>
<td><a href="mailto:costinformation@hhsc.state.tx.us">costinformation@hhsc.state.tx.us</a></td>
</tr>
<tr>
<td>Training Information and Registration, or STAIRS Technical Assistance</td>
<td></td>
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</tbody>
</table>
Housekeeping

- Break
- Hold Questions
- Hold Music
- How to ask questions - (“The Hand”)
- RAD maintains records of Training Certification
- Webinar monitors attendance
- Initial or Refresher Training
Training Objectives

• Promote effective communication between preparers and RAD

• Provide information necessary to complete the IDD Cost Report

• Proactively address items and responsibilities that have historically been problematic for new preparers
Topics to be Covered

• HHSC
• Rate Analysis for LTSS Staff
• Communications
• STAIRS
• Why are Cost Reports Important?
• How a Cost Becomes a Rate with Asides on Desk Reviews, Field Audits, Informal Reviews and Formal Appeals Requests
Topics to be Covered (cont.)

• Cost Report Training Requirements
• Cost Report Due Dates
• When to Complete a Cost Report
• How to Complete a Cost Report
• Miscellaneous but Important
• Unacceptable and Unauditable Cost Reports
• Attendant Compensation Rate Enhancement
Topics to be Covered (cont.)

• Vendor Hold
• Allowable and Unallowable Costs
• Insurance Costs
• Depreciation
• Related-Parties, Transactions & Compensation
• Allocations
HHSC & DADS

- Rates for long term care programs are developed by Rate Analysis for Long Term Services and Supports (LTSS) at the Health and Human Services Commission (HHSC).

- Long Term Care programs are ADMINISTERED by the Health and Human Services Commission (HHSC).

- Rate Analysis staff work closely with staff at HHSC and DADS to coordinate program administration, service definitions, billing guidelines and rates.
Why are Cost Reports Important?

• Used to set rates

• Used to make appropriations requests

• Used to determine enhancement compliance

• Used to obtain cost information for special circumstances and projects
When to Complete a Cost Report

All providers are required to submit a cost report; however, some providers may be excused from submitting a cost report if they meet specific criteria. Some of the criteria for being excused are:

- The provider delivered no services.
- The provider delivered less than a certain amount of service.
- The contract was effective no more than 30 days before the end of the cost report period.

If you meet any of the above criteria, then you can apply for excusal from submission by emailing costinformation@hhsc.state.tx.us
When to Complete a Cost Report

Note: Not all criteria apply to all programs. See the Rate Analysis webpage or the program-specific instructions for more information.

More information can be found at the following website:
http://rad.hhs.texas.gov/long-term-services-supports/cost-report-excusal-information
ACRES Versus STAIRS

ACRES is the legacy cost reporting system discontinued after the 2014 cost reporting year.

STAIRS is the web-based cost reporting system used to complete cost reports and accountability reports for all programs.
The Texas Health and Human Services Commission (HHSC) deleted the Total Medicaid Spending Requirement (MSR) in the ICF/IID reimbursement methodology and in the HCS/TxHmL reimbursement methodology beginning September 1, 2017.

However, it is necessary for HHSC to close out the MSR through August 31, 2017. To fulfill this requirement HHSC will collect a final closeout report from all HCS/TxHmL and ICF/IID providers that participated in MSR. This MSR closeout report will be used for MSR purposes only and will not be used for attendant compensation rate enhancement accountability, nor will it be used for any purposes tied to rate setting.
For most IDD providers this will require they submit a MSR closeout report that will cover from the beginning of their 2017 fiscal year through August 31, 2017 (the end of the MSR requirement). For example, if a provider operates on a standard calendar year their MSR closeout report will cover 01/01/17 to 08/31/17.

For others who have a fiscal year that ends earlier that August 31st, they will be required to submit MSR closeout reports that begins with the next day immediately after the last day covered by the last cost report they submitted.
2017 Medicaid Spending Requirement Closeout Report

HHSC will collect the MSR close out reports through the State of Texas Automated Cost Reporting System (STAIRS). The regular HCS/TxHmL and ICF/IID cost reporting forms will be utilized as it contains all the data elements necessary to determine MSR accountability.

The report must be submitted no later than April 30, 2018.
How a Cost Becomes a Rate

Preparer or Provider completes Cost Report in STAIRS

The STAIRS file is verified and all necessary documentation provided by the Legal Entity (Provider)
How a Cost Becomes a Rate

Rate Analysis Edit Check → HHSC Desk Review or Field Audit
Aside – Desk Reviews & Field Audits

Desk Reviews verify that each cost report:

• Correctly reports allowable and unallowable costs.

• Follows Generally Accepted Accounting principles (GAAP) except as otherwise specified.

• Follows cost report instructions and rules.

• Is supported by documentation.
Aside – Desk Reviews & Field Audits

• Records must be accessible to HHSC Audit staff within 10 working days of notification.

• When records are not in Texas, the provider must pay the costs for HHSC staff to travel to review records out of state during a field audit.
Aside – Desk Reviews & Field Audits

HHSC sends notices regarding the exclusions and adjustments. These notices identify:

• Items that have been adjusted.

• The Amount of each adjustment.

• The reason for each adjustment.
How a Cost Becomes a Rate

Rate Analysis Post-Audit Data Clean-Up

Informal Reviews / Formal Appeals
Informal Review Request

• Due within 30 days of notification.

• Must include items in dispute, recommended resolution, supporting documentation.

• Must be signed by the individual legally responsible for the conduct of the HHSC contracted provider or their legal representative.

• Hand delivery, U.S. mail, special mail delivery, fax or email (with certain requirements)
Formal Appeal Request

• Due within 15 days of notification.

• Limited to issues and documentation from Informal Review.

• Must be signed by the individual legally responsible for the conduct of the HHSC contracted provider or their legal representative.
How a Cost Becomes a Rate

Rate Analysts create database(s) to calculate proposed rates

Analysis of Data by Rate Analysis
How a Cost Becomes a Rate

Public Rate Hearing → Executive Commissioner Approves Rates
How to Complete a Cost Report

• Review the prior year’s Cost Reports.

• Review prior year’s Adjustments (if available).

• Read the current year’s Cost Report Specific Instructions.

• Gather all required documentation.

• Review General Ledger for unallowable costs and classification errors.
How to Complete a Cost Report

• Develop work papers that clearly reconcile between the provider’s fiscal year and end trial balance and the amounts reported on the Cost Report.

• Include Cost Report steps and Type of Services on your reconciliation.

• Complete all required allocations.
How to Complete a Cost Report

• Complete STAIRS steps in order, where required.

• Transfer values from your allocation worksheets and reconciliations to appropriate cost report items.

• If report is being used for enhancement purposes, complete enhancement worksheets (optional).

• Check work for errors.
How to Complete a Cost Report

Complete Preparer (Methodology Certification) Page

• Must be signed by the PREPARER. This person must be the individual who actually prepared the cost report or who has primary responsibility for the preparation of the cost report.

• Must contain original signatures and original notary stamps/seals.
How to Complete a Cost Report

Cost Report (Provider) Certification Page

• Must be signed by the individual legally responsible for the DADS Contract. Such as an Owner, Partner, Corporate Officer, Association Officer, Government Official, or L.L.C member.

• Must contain original signatures and notary stamp/seals.

• The signature date should be the same or after the date the preparer signed the Methodology Certification page.
Cost Report Due Date

April 30, 2018

• Due dates may be only be extended for good cause.

• Requests for an extension or an excusal should be sent by the legal entity to the following mailbox:

• CostInformation@hhsc.state.tx.us
Miscellaneous Information

• Round $ amounts to 0 places; round statistical information to 2 places.

• Accrual method of accounting must be used for any proprietary contractors.

• To be allowable, accrued expenses must be incurred during the cost reporting period and must be paid within 180 days after the end of that cost reporting period.
Miscellaneous Information

Records must be maintained a minimum of 3 years and 90 days after the end of the provider’s fiscal year or after the resolution of all litigation, claims and audit findings involving the cost report, if that is a later.
Problems (Unacceptable Cost Reports)

• Not completed in accordance with rules, instructions, and policy clarifications.

• Not completed for the correct reporting period.

• Not completed using an accrual method of accounting (except governmental entities required to operate on a cash basis).

• Preparer has not submitted required documentation (certification page, allocation summaries, leases, management agreements, training certificates)
Problems (Unauditable Cost Reports)

- Auditor is unable to reconcile to provider’s work papers.

- Provider fails to provide requested information/documentation in a timely fashion.

- Provider does not have supporting work papers.

- Provider used unacceptable allocation method.
Vendor Hold

Failure to submit an acceptable cost report by the cost report due date will result in HHSC or DADS withholding payments from the provider until an acceptable cost report is submitted.
Allowable & Unallowable Costs

✓ Costs are allowable if they meet the “reasonable” and “necessary” tests.

Reasonable Costs

• The provider seeks to minimize costs through arm’s-length transactions.

• The amount does not exceed what a prudent, cost-conscious buyer pays for a given item or service.
Allowable & Unallowable Costs

Necessary Costs

Appropriate for developing and maintaining the required standard of operation for client care.

• Within state, federal, local regulations.
• Not personal.
• Directly or indirectly related to providing the contracted service.
• Allocated costs per program are substantiated.
Allowable & Unallowable Costs

The provider may purchase items or services that are “unallowable”, but they must NOT include them on the cost report.

Authority Sources

• Cost Report Specific Instructions
• Cost Report Training
• Texas Administrative Code (TAC)
• GAAP – unless in conflict with instruction or TAC
Allowable & Unallowable Costs

*Arm’s-length transactions* - are transactions between parties that are not related by blood, marriage, or control.

*Less-than-arm’s-length transactions* - are transactions between related parties.

§355.102(i)
Allowable & Unallowable Costs

Compensation
Includes both cash and noncash forms of compensation subject to federal payroll tax regulations:

• Wages & Salaries (including bonuses)

• Payroll Taxes

• Fringe Benefits

§355.103(b)(1)(A)
Allowable & Unallowable Costs

Compensation

A bonus is a type of compensation granted to employees as an addition to wages. Bonuses paid to employees in arm’s-length transactions are allowable costs, subject to the reasonable and necessary costs criteria.

§355.103(b)(1)(A)(i)
Allowable & Unallowable Costs

Compensation

Allowable employee benefits are reported as either:

• Salaries and wages

• Employee benefits

• Costs applicable to specific cost areas

§355.103(b)(1)(A)(iii)
Allowable & Unallowable Costs

Compensation
Benefits that must be reported as salaries and wages and directly charged to the individual employee include (1/3):

- Paid vacation days
- Paid Holiday
- Paid Sick leave
- Other paid leave

§355.103(b)(1)(A)(iii)(II)
Allowable & Unallowable Costs

Compensation

Benefits that must be reported as benefits and directly charged to the individual employee include (2/3):

• Employer contributions to deferred compensation plans, retirement funds, or pension plans

• Costs of certain employer-paid health/medical/dental and disability insurance premiums and paid claims

§355.103(b)(1)(A)(iii)(III)
Allowable & Unallowable Costs

Compensation

Benefits that must be reported as benefits and directly charged to the individual employee include (3/3):

• Employer-paid child day care for children of employees

• Accrued paid days off not yet subject to payroll taxes

§355.103(b)(1)(A)(iii)(III)
Allowable & Unallowable Costs

Compensation

Only employer-paid health/medical/dental and disability paid claims can be allocated.

All other employee benefits and/or insurance must be direct-costed.

§355.103(b)(1-2)
Allowable & Unallowable Costs

Compensation

Benefits that are reported as costs applicable to specific cost areas include:

• Employer-paid training/educational costs
• Employee relations costs
• Uniforms
• Noncash incentives
• Mileage reimbursement
• Meals

§355.103(b)(1)(II)
Providers must maintain documentation which clearly identifies each type of compensation.

§355.105(b)(2)(B)
Allowable & Unallowable Costs

Compensation

Examples of required documentation include:
• Insurance policies
• Provider benefit policies
• Records showing paid leave accrued and taken
• Documentation to support hours (regular & overtime) worked and wages paid
• Mileage logs
• Travel Allowances

§355.105(b)(2)(B)
Allowable & Unallowable Costs

Consultants

Allowable compensation for outside consultants and for services provided by outside vendors must be:

• Reasonable & Necessary

• Related to the provision of contracted services

§355.103(b)(2)(A)
Allowable & Unallowable Costs

Accounting & Auditing Fees

Allowable accounting and auditing fees include those for:

• Preparation of business tax reports/returns
• Preparation of financial statements
• Preparation of cost reports
• Performance of a financial audit

§355.103(b)(3)(A)(i)
Allowable & Unallowable Costs

Accounting & Auditing Fees

Unallowable accounting and auditing fees include expenses related to:

• Preparation of personal tax returns or single audit
• Litigation
• Preparation of annual reports, reports to stockholders or other interested parties
• Investment management
• Any other unallowable costs

§355.103(b)(3)(A-B)
Allowable & Unallowable Costs

Legal Fees & Retainers

**Allowable** legal fees are expenses for allowable legal representation in allowable instances that are clearly enumerated as to amount and subject of the action.

**Unallowable** legal fees are expenses for legal activities related to lawsuits against the government; retainers in and of themselves; expenses related to other business activities.

§355.103(b)(3)(A-B)
Allowable & Unallowable Costs

Litigation Expenses & Awards

Unallowable litigation expenses and awards include expenses related to (1/2):

• Court-ordered awards of damages or settlements, with an exception for certain workers’ compensation settlements.

• Legal fees associated with litigation that resulted in any court-ordered award of damages or settlements or a criminal conviction.

§355.103(b)(20)(I)
Allowable & Unallowable Costs

Litigation Expenses & Awards

Unallowable litigation expenses and awards include expenses related to (2/2):

- Litigation expense (e.g., legal fees, settlement costs, award costs, expert witness expenses and investigative services).

§355.103(b)(20)(I)
Allowable & Unallowable Costs

Accounting, Auditing, and Legal Fees

Documentation for accounting, auditing, and legal fees that are billed on an hourly basis and the allowable portion of legal retainers should include:

- The amount of time spent on the activity.
- A written description of the activity performed.
- The person performing the activity.
- The hourly billing amount of the person performing the activity.

§355.105(b)(2)(B)(viii)
Allowable & Unallowable Costs

Advertising & Public Relations

Allowable

- Costs include yellow page listings in the provider’s service area (up to 1/8 page) and classified ads for the recruitment of personnel.

Unallowable

- Costs include advertising which seeks to increase client utilization, sale of stock, and public relations costs.

§355.103(b)(16)
Allowable & Unallowable Costs

Interest Expense

In order for interest expense to be allowable, the loan must:

• Satisfy a financial need.
• Be related to contracted client care.
• Be made in the name of the contracted provider entity.
• Be used for allowable costs.

§355.103(b)(11)
Allowable & Unallowable Costs

Interest Expense

**Unallowable** interest expense includes:

- Loan is for purpose of investing in operations other than contracted services.
- Loan pertains to unallowable items.
- Loan is for purpose of creating excess working capital.

§355.103(b)(11)
Allowable & Unallowable Costs

Interest Expense

LOAN DOCUMENTATION

• Signed copy of loan
• Explanation of purpose of loan
• Documentation of use of proceeds
• Evidence of systematic principal and interest payments
• Substantiation of costs of securing loan

§355.105(b)(2)(B)(ii)
ALLOWABLE: To the extent they are incurred in accordance with written policy and only as indirect costs, expenses related to employee morale and welfare are limited to $50 per employee per year.

§355.103(b)(20)
Allowable & Unallowable Costs

Fines and Penalties

UNALLOWABLE: Non-sufficient fund fees, parking fines, damages and settlements from violations (or alleged violations) of laws and regulations. Affordable Care Act (ACA) fines are unallowable.

§355.103(b)(20)
Allowable & Unallowable Costs

Fundraising & Investment Management

UNALLOWABLE: Salaries related to fundraising and investment management and any fees paid to others for such activity.

§355.103(b)(20)
Allowable & Unallowable Costs

Memberships, Subscriptions, Lobbying, Contributions & Donations

Costs for membership in professional associations directly and primarily concerned with the provision of services:

**Allowable** – 1) professional association dues
2) dues or fees to maintain professional accreditation

**Unallowable** – 1) lobbying or campaign contributions 2) civic organizations 3) nonprofessional organizations

§355.103(b)(14)
Allowable & Unallowable Costs

Taxes

ALLOWABLE:

• Ad Valorem (Property) and Texas Franchise taxes

• Employment-related taxes such as FICA and Medicare Payroll Taxes and State/Federal Unemployment Taxes

• NOTE: Sales tax on purchased goods is included in the cost of the asset or item purchased

§355.103(b)(12)
Allowable & Unallowable Costs

Taxes

UNALLOWABLE

• Federal and state income taxes
• Self-employment taxes
• “Pass-through” taxes (e.g. sales taxes)
• Taxes for which exemptions are available

§355.103(b)(12)
Allowable & Unallowable Costs

Training

The following training expenses are ALLOWABLE on the cost report as long as the training has a direct relationship to the job:

• CPR
• On-The-Job Training
• Instructors
• Training Materials
• Registration Fees

§355.103(b)(15)
Allowable & Unallowable Costs

Travel Costs

The maximum for lodging per diem and meals per diem costs is 150% of the General Services Administration (GSA)’s federal travel rates for maximum lodging and meal reimbursement rates.

The GSA’s travel rates may be found at [www.gsa.gov](http://www.gsa.gov)

Click on “Per Diem Rates”.

§355.103(b)(15)
Allowable & Unallowable Costs

Travel Costs

For locations not specifically listed on the GSA website, the maximum allowable lodging and meals per diem rates for cost-reporting purposes are:

Meals
• $76.50

Lodging
• 02/1/16 – 09/30/16 = $133.50
• 10/1/16 – 09/30/17 = $136.50
• 10/1/17 – 12/31/17 = $139.50

(plus applicable city/local/state taxes and energy surcharges)

§355.103(b)(15)
Allowable & Unallowable Costs

Travel Costs

Effective Date

Automobile Mileage (per mile)

• 54 cents per mile

Jan. 1 – Dec. 31, 2017
• 53.5 cents per mile

§355.103(b)(15)
Allowable & Unallowable Costs

Travel Costs

Out-of-state travel costs are unallowable, unless:

• For allowable staff training which is not available in the state of Texas;

• For delivering client services within 25 miles of the Texas border (adjoining states but not Mexico); or

• To conduct business related to contracted client services in Texas only if between Texas and the contracted provider's central office.

§355.103(b)(15)
Allowable & Unallowable Costs

Travel Costs

• All costs for travel outside the continental United States are unallowable costs.

• HHSC currently prohibits travel to Mexico, therefore, unallowable even if our rules allow.

• Allowable costs for meals do NOT include tips, gratuities or alcoholic beverages.

§355.103(b)(15)
Allowable & Unallowable Costs

In-Kind Donations

In-kind donations are donations of property, goods and/or services. The value of the item is not an allowable cost; but occasionally related costs ARE allowable.

Call your Rate Analyst if you have in-kind donations and need assistance with determining what is an allowable cost.

§355.103(b)(19)
Allowable & Unallowable Costs

R&D, Organization and Startup Costs

Some research and development, organization and start-up costs are allowable.

If the provider has R&D, organization or start-up costs for a new contract, contact your Rate Analyst for further instructions.

§355.103(b)(20)(E)
Allowable & Unallowable Costs

Goodwill

The difference between the purchase price and the fair market value of an asset.

Not an allowable cost on the cost report.

§355.103(b)(10) and §355.103(b)(20)(C)(ii)
Allowable & Unallowable Costs

Direct Reimbursements

Expenses directly reimbursable to the provider that are outside of the unit rate are unallowable.

Check program-specific rules and instructions for any exemptions related to direct reimbursements.

§355.104(2)
Allowable & Unallowable Costs

Losses

Losses resulting from THEFT or EMBEZZLEMENT of property or funds of the provider or clients by owners or staff of the provider are not allowable.

BAD DEBT allowance as an expense is unallowable and must be shown as a revenue offset in the provider’s books.

CHARITY/COURTESY ALLOWANCES are not costs and cannot be reported on the cost report. The actual costs of the service are already included in the cost report.

§355.103(b)(20)(L)
Insurance Cost

Insurance is the coverage by contract in which one party agrees to indemnify or reimburse another for loss that occurs under the terms of the contract.

A provider can purchase insurance from:
• a commercial carrier
• a limited purpose insurer
• a special risk management fund or pool

§355.103(b)(13)
Insurance Cost

Commercial Insurance Carrier

• Purchase must be an arm’s-length transaction.
• Insurer must meet standards set by the Texas Department of Insurance.

Limited Purpose Insurance Carrier

• Costs must not be in excess of the cost of comparable insurance premiums.

§355.103(b)(13)
Insurance Cost

Special Risk Management Fund or Pool

- Fund or pool must be operated by a third party which assumes some of the risk.

- Fund or pool must have an annual actuarial review.

§355.103(b)(13)
Insurance Cost

Reporting Costs For Purchased Insurance

• Include all allowable insurance premium costs with amounts accrued for premiums, modifiers, and surcharges adjusted by any refunds and discounts received or audit settlements paid during the cost reporting period.

• Errors and omissions insurance on members of boards of directors is an allowable cost.

• Insurance costs pertaining to items of unallowable costs are unallowable.

§355.103(b)(13)
Insurance Cost

Self Insurance

• Occurs when a provider assumes the risk to protect itself against anticipated insurance liabilities and no other entity shares any of the risk.

• Can also be described as being uninsured.

• Costs allowable on a CASH, claims-paid basis with certain limitations.

§355.103(b)(13)
Insurance Cost

Partial Self Insurance

• Occurs when a provider assumes the risk to protect itself against anticipated insurance liabilities, but another entity shares part of the risk.

• Includes a stop-loss policy or some other method to share the risk between the provider and the third party.

• Costs allowable on a CASH, claims-paid basis – with certain limitations.

§355.103(b)(13)
Insurance Cost

Self Insurance Documentation Requirements

Maintain documentation that supports the amount of claims paid each year. Other documentation will also be required.

If you believe you are self-insured and need assistance with the reporting requirements, call your Rate Analyst.

§355.105(b)(2)(B)(ix)
Insurance Cost

Life Insurance Costs For Owners, Officers & Key Employees

ALLOWABLE: Where the individual’s relatives or estate are the beneficiary, to the extent such employee benefits are allowable

ALLOWABLE: If the individual’s relatives or estate are not the beneficiary only allowable if:

• Required by a financial institution
• Financial institution is the beneficiary
• Proceeds restricted to paying off the balance of the loan

§355.103(b)(13)
Insurance Cost

Life Insurance Costs For Owners, Officers & Key Employees

UNALLOWABLE: Premiums paid where the provider is a direct or indirect beneficiary

§355.103(b)(13)
Depreciation

Depreciation is the periodic reduction of the value of an asset over its useful life or the recovery of an asset’s cost over its useful life.

Amortization is the periodic reduction of the value of an intangible asset, such as a trademark or patent, or debt over its useful life.

§355.103(b)(10)
Depreciation

Depreciate items if:
• Cost $5,000 and
• > 1 Year Useful Life

Expense items if:
• Cost < $5,000 or
• < or = 1 Year Useful Life

§355.103(b)(10)
Depreciation

• Use straight-line method

• Begin depreciation in month placed in service

• End depreciation when asset is fully depreciated or taken out of service

• Do not claim depreciation for the month taken out of service
Depreciation

Buildings

- Minimum useful life is 30 years
- Minimum salvage value is 10%
- Do NOT include land cost

§355.103(b)(10)
Depreciation

Transportation Equipment

- Cars & minivans – 3 years
- Light trucks & vans – 5 years
- Buses & planes – 7 years
- Used vehicles: longer of years remaining in useful life of vehicle or 3 years
Depreciation

Specialized Transportation Equipment

• Specialized equipment added to a vehicle to assist a client should be depreciated separately from the vehicle.

• Wheelchair lifts have an estimated useful life of five years.

§355.103(b)(10)
Depreciation

Ground Transportation – Mileage Logs

NOT REQUIRED IF:

• Used solely (100%) for provision of contracted client services delivering ONE type of contracted care or contract

• Provider has a written policy that states that the equipment is restricted to that use and the policy is followed
Depreciation

Ground Transportation – Mileage Logs

REQUIRED IF:

• Equipment is used for several purposes (including personal use**) or multiple programs or contracts

** Personal use includes, among other things, driving to and from a personal residence
Depreciation

Ground Transportation – Mileage Logs

Minimum elements:
• Date
• Driver
• Persons in vehicle
• Trip Mileage (beginning, ending and total)
• Purpose of trip
• Allocation Centers (departments, business entities)

§355.103(b)(10)
### Mileage Log

**Date:** 5/27/20XX

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<th>Passengers</th>
<th>Purpose of Trip</th>
<th>Beginning</th>
<th>Ending</th>
<th>Total</th>
<th>Program Allocation</th>
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<tbody>
<tr>
<td>Jane Smith</td>
<td>None</td>
<td>Supervisory Visit</td>
<td>27855</td>
<td>27865</td>
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<td>Jane Smith</td>
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<td>Jane Smith</td>
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<td>Lunch</td>
<td>27890</td>
<td>27900</td>
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<td>None - Personal</td>
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<td>None</td>
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<td>Jane Smith</td>
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<td>Fill-in for Attendant</td>
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**Total Miles:** 87

### Daily Summary by Program & Contract Number

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<th>Program</th>
<th>Contract #</th>
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<tbody>
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<td>Medicare</td>
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<td>CBA</td>
<td>001018888</td>
<td>42</td>
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<tr>
<td>Personal</td>
<td>N/A</td>
<td>10</td>
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</tbody>
</table>

§355.103(b)(10)
Depreciation

Depreciation of Luxury Vehicles

LUXURY VEHICLES are passenger vehicles with a purchase price higher than the allowable base value

<table>
<thead>
<tr>
<th>Year</th>
<th>Allowable Base Value</th>
</tr>
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<tbody>
<tr>
<td>2010</td>
<td>$38,808</td>
</tr>
<tr>
<td>2011</td>
<td>$39,584</td>
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<tr>
<td>2012</td>
<td>$40,376</td>
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<td>2013</td>
<td>$41,184</td>
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<td>2014</td>
<td>$42,008</td>
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<tr>
<td>2015</td>
<td>$42,848</td>
</tr>
<tr>
<td>2016</td>
<td>$43,705</td>
</tr>
<tr>
<td>2017</td>
<td>$44,579</td>
</tr>
</tbody>
</table>

§355.103(b)(10)(C)(i)
Depreciation

Repairs and Maintenance

Ordinary Repairs

• Recurring
• Usually involve expenditures for parts and labor to keep the asset in operating condition
• Examples - painting, wall papering, copy machine repair, oil changes

EXPENSE AS INCURRED

§355.103(b)(9)(A)
Depreciation

Other Depreciation

All other assets must be depreciated consistent with the American Hospital Association’s “Estimated Useful Lives of Depreciable Hospital Assets”, 2013 edition.

Website:  www.healthforumonlinestore.com

§355.103(b)(10)(B)
Depreciation

Documentation

Required for each depreciable asset so that its classification and estimated useful life can be checked for accuracy:

• Historical cost
• Date of purchase
• Depreciable basis

§355.105(b)(2)(B)(xv)
Depreciation

Documentation

Must be accessible in a field audit for each depreciable asset:

- Estimated useful life
- Accumulated depreciation
- Calculation of gains and losses upon disposal

§355.105(b)(2)(B)(xv)
Depreciation

Documentation

Descriptions with unacceptable insufficient detail: “kitchen equipment”, “current year purchases”, “office furniture”.

In STAIRS these items are rolled up, but your documentation needs to be at this level of detail.

§355.105(b)(2)(B)(xv)
Depreciation

Unallowable Depreciation/Amortization

• Depreciation and amortization for unallowable assets

• Amounts in excess of those using the straight-line method

• Planning/evaluation expenses for depreciable assets not purchased and used in contracted services

• Goodwill
Related Parties

A Related Party is any person or organization related to the provider by:

• Blood
• Marriage
• Common ownership
• Control

§355.102(i)(1)(A)-(I)
Related Parties

A Related Party is any person or organization related to the provider by:

• Parent, child, sibling (including Step-children)

• Mother-in-law, Father-in-law

• Aunt, Uncle, Cousin

§355.102(i)(1)(A)-(I)
Related Parties

Control

Control occurs if a person or organization has the power to directly or indirectly influence actions or policies of the provider – whether or not that control is exercised.

§355.103(b)(2)(A)(i)&(ii)
Related Parties

Common Ownership

Common ownership occurs if a person possesses an ownership/equity interest in the provider and in the organization serving the contracted provider.

§355.103(b)(2)(A)(i)&(ii)
Related Parties

Attach an organizational chart indicating the related party and name within the organization.

§355.103(b)(2)(A)(i)&(ii)
Related Party Compensation

Reasonable – Must be an amount that would ordinarily be paid for comparable services.

Necessary – Duties/services performed by the related-party employee or entity are such that the provider would have to employ another person or contract with another entity to perform the duties/services if the related-party was unavailable.

§355.103(b)(2)(A)(i)&(ii)
Related Party Compensation

Documentation should include:

• Written description of duties, functions, responsibilities
• Substantiation that services performed were not duplicative
• Daily timesheets or other documentation verifying hours worked
• Breakdown by regular pay, overtime, bonuses, benefits, etc.
• Proof of regular, periodic payments and/or accruals
• Proof that compensation is subject to payroll/self-employment taxes
• Allocation worksheets, if compensation is allocated

§355.105(b)(2)(B)(xi)
Related Party Compensation

Bonuses

• Must not represent profit sharing or be determined based on profit

• Must be clearly defined in written agreement or employment policy

• Must not be made only to, or discriminate in favor of, related parties

§355.103(b)(1)(A)(i)
Related Party Compensation

Bonuses

Documentation should include a written, clearly defined bonus policy which defines:

- The basis for distributing the bonuses
- Who received bonuses
- The amount received by each individual
- Whether the individual was a related party

§355.105(b)(2)(B)(xi)(I)
Related Party Compensation

Benefits

Benefits paid to related parties must not discriminate in favor of certain employees such as employees who are officers, stockholders, or the highest paid individual(s) of the organization.

§355.103(b)(1)(A)(iii)(I)
Related Party Compensation

Benefits

Documentation should include a written, clearly defined benefits policy which defines:

- The basis for eligibility for each type of benefit
- Who is eligible to receive each type of benefit
- Who actually received each type of benefit
- The amount of each type of benefit received by each individual
- Whether the individual receiving each type of benefit was a related party

§355.105(b)(2)(B)(xi)(II)
Related Party Compensation

Unallowable Compensation

Compensation that is not clearly enumerated as to the dollar amount or which represents profit or surplus revenue distributions

§355.105(b)(2)(B)(xi)(II)
Related Party Transactions

You have a related-party transaction if:

• If you have purchased and/or leased items, equipment, services, facilities from a related party
• If you have a loan from a related-party

Purchases

• Can be items or services
• From a related-party individual or organization
Related Party Transactions

Related party loans from organizations or groups of individuals

Related party loans from individuals
Related Party Transactions

Allowable expenses in related-party transactions must be reported at the lower of the cost to the related party or the price of comparable services, equipment, facilities or supplies that could be purchased/leased elsewhere in an arm’s-length transaction.

§355.102(i)(4)
Related Party Transactions

Calculate the cost to the related party:

• Of a building lease

• Purchases such as buildings and depreciable assets
Attendant Compensation Rate Enhancement
Attendant Compensation Rate Enhancement

• Improve quality of care by improving wages and benefits for staff providing direct care

• Participants receive an add-on to their per unit rate in order to increase compensation to attendants

• Participation is voluntary

• July enrollment

• Funds not spent according to requirements are recouped
Participants of Rate Enhancement

• Once you’ve completed your cost report, it’s to your benefit to complete the **optional worksheets** to find out if you face a recoupment.

• Don’t submit these to RAD. They are optional, but they are valuable.

• We recommend you complete them on a **regular basis** throughout the year to be sure you’re on track with meeting your spending requirement.

• They are in **Excel** so that you can download a working file.
Steps of Rate Enhancement Worksheets

1. Go to the Rate Analysis website at: http://rad.hhs.texas.gov/

2. Select “Long-Term Services and Supports”.

3. Select your program type.


5. Select “View the Cost Report Worksheets and Worksheet Instructions”.
Rate Enhancement Worksheets

• Notice there are multiple tabs in the worksheet. Be sure you fill out each one that is applicable to your business.

• Take the information from your STAIRS Cost Report and input in the worksheet.

• The worksheet will identify the Step and line item from which to get the information in STAIRS to report on the worksheet.
The Texas Health and Human Services Commission (HHSC) is implementing a cost report reform initiative for HCS/TxHmL and ICF/IID providers only. Amendments to §355.105(c) for ICF/IID providers and at §355.722(a) for HCS/TxHmL providers, implements the requirement for “even-year” cost reports only beginning with the providers’ 2018 fiscal year cost reports.
2017 Rate Enhancement Accountability Report

HHSC also amended §355.112(h)(2)(B) to implement the requirement for “odd-year” Attendant Compensation Reports for HCS/TxHmL and ICF/IID providers who participate in rate enhancement during those “odd” years.

As a result, HHSC will not collect 2017 cost reports from HCS/TxHmL and ICF/IID providers for their 2017 fiscal years. Rather HHSC will collect 2017 accountability reports from HCS/TxHmL and ICF/IID providers for their 2017 fiscal years for the time period in which they participated in the attendant compensation rate enhancement. HCS/TxHmL and ICF/IID providers who did not participate in rate enhancement during their 2017 fiscal year are not required to submit an accountability report.
2017 Rate Enhancement Accountability Report

The 2017 IDD accountability report must be submitted through the State of Texas Automated Cost Reporting System (STAIRS).

The 2017 IDD accountability report must be submitted no later than April 30, 2018.
I’m Facing a Recoupment

• If you’re facing a recoupment, it isn’t necessarily the end of the world.

• Bonuses are an acceptable way to avoid recoupments if you have a written policy and pay them within 180 days of the end of your reporting period.

• Be sure that the bonuses meet the requirements in the rule discussed earlier in the session. Gift cards do not meet those requirements!
Allocation Methods
Allocation Methods

RAD Approved Allocation Methods

• Units of Service
• Labor Costs
• Cost-to-Cost
• Salaries
• Total-Cost-Less-Facility-Cost
• Functional Allocation Methods
• Other Allocation Methods
What Must Be Allocated

If there is more than one business component, service delivery program, or Medicaid program within the entire related organization, the provider is considered to have central office functions, meaning that administration functions are more than likely shared across various business components, service delivery programs, or Medicaid contracts. Shared administration costs require allocation prior to being reported as central office costs on the cost report.
A Central Office is NOT Where Your Administrative Assistant Sits

A "central office" exists if there are shared administrative functions that require allocation across more than one business or program. These costs are also known as allocated shared administrative costs.

The functions could be provided by a separate corporation, a separate department or separate accounting entity within the contracted provider accounting system.
Allocation Methods

RAD Approved Allocation Methods

Allocation methods must be:

• a reasonable reflection of the actual business operations of each contract

• consistently applied across all contracts that are sharing the costs

➢ Is your business programmatic with building cost? Residential with building cost? Labor intensive or mixed?
Allocation Methods

RAD Approved Allocation Methods

Units of Service

In order to use the units of service allocation method to allocate shared administrative costs, each contract must:

- Deliver equivalent services (cannot be used with different types of programs)
- Measure the delivery of the equivalent services using equivalent units of measurement (i.e., 1 day)

Equivalent Service and Equivalent Units = Units of Service Allocation Method
Allocation Methods

RAD Approved Allocation Methods
Units of Service

Allocation is based upon the ratio of units of service provided by each contract to the total units of service provided by all contracts.
 Allocation Methods

RAD Approved Allocation Methods
Units of Service

Finding the allocation percentage using the Units of Service Method:

- Total units of service for all contracts = 100%
- Divide each contract’s units of service by the total units of service for all contracts. The result is a percentage for each contract
- Multiply the resulting percentages times the total indirect shared costs; the results will be the allocated portion of the shared cost
### Allocation Methods

**Allocation Summary - UNITS of SERVICE**

#### Adjusted Trial Balance

**As of XX/XX/XXXX**

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Total Costs</th>
<th>Disallowed</th>
<th>Direct Costs</th>
<th>Direct Costs</th>
<th>Shared Costs</th>
<th>Lake House (RTC)</th>
<th>River House (RTC)</th>
<th>Allocated Shared Costs</th>
<th>CR Line Items</th>
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<td>Salaries</td>
<td>125,347.28</td>
<td>69,818.43</td>
<td>55.70%</td>
<td>44.30%</td>
<td>55.70%</td>
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<td>River House</td>
<td>55.70%</td>
<td>44.30%</td>
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<td>-</td>
<td>-</td>
<td>-</td>
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<td>River House</td>
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<td>River House</td>
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<tr>
<td>Employee Benefits/Insurance</td>
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<td>1,959.00</td>
<td>1,959.00</td>
<td>1,959.00</td>
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<td>River House</td>
<td>1,959.00</td>
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<td>Office Lease</td>
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<tr>
<td>Utilities</td>
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<td>4,472.84</td>
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<td>Advertising</td>
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<td>Miscellaneous</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>384,689.08</strong></td>
<td><strong>597.36</strong></td>
<td><strong>130,847.41</strong></td>
<td><strong>90,589.68</strong></td>
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<td><strong>90,598.63</strong></td>
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#### Units of Service Allocation Percentages:

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<tr>
<th>Units of Service</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lake House</td>
<td>9,961.50</td>
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<td>River House</td>
<td>7,924.25</td>
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<tr>
<td><strong>17,885.75</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

---

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Allocation Methods

RAD Approved Allocation Methods
Labor Costs

All of a provider’s contracts are:

• labor intensive, or
• all contracts have a programmatic or residential-building cost, or
• contracts are mixed with some being labor intensive and others having a programmatic-building or residential-building component
Allocation Methods

RAD Approved Allocation Methods
Labor Costs

Allocation is based upon the ratio of directly charged labor costs for each contract to the total directly charged labor costs for all contracts.
Allocation Methods

RAD Approved Allocation Methods
Labor Costs

The Five Cost Components of the Labor Costs Allocation Method:
• Salaries/Wages
• Payroll taxes
• Employee benefits/insurance
• Workers’ compensation costs
• Contracted labor (excluding consultants)
Allocation Methods

RAD Approved Allocation Methods
Labor Costs

Finding the allocation percentage using the Labor Costs Method:

• Total of the five cost components for all contracts = 100%

• Divide each contract’s labor costs by the total labor costs for all contracts. The result is a percentage for each contract

• Apply the resulting percentages to the total indirect shared costs
### Allocation Methods

#### Allocation Summary - Labor Cost Method

**Adjusted Trial Balance - We Care**

**As of 12/31/XX**

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Total Costs</th>
<th>Disallowed HCS</th>
<th>Disallowed ICF/IID</th>
<th>Disallowed CBA</th>
<th>Shared Costs HCS</th>
<th>Shared Costs ICF/IID</th>
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<td>-</td>
<td>-</td>
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<td>ICF/IID Attendants &amp; NonAttendants</td>
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<td>-</td>
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<td>9,467.85</td>
<td>10,258.55</td>
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<td>1,501.80</td>
<td>646.34</td>
<td>455.93</td>
<td>399.53</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Medical Supplies</td>
<td>874.64</td>
<td>487.39</td>
<td>387.25</td>
<td>166.66</td>
<td>117.57</td>
<td>103.02</td>
<td></td>
</tr>
<tr>
<td>Insurance - Malpractice</td>
<td>1,050.87</td>
<td>1,050.87</td>
<td>452.27</td>
<td>319.03</td>
<td>279.57</td>
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<td></td>
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<tr>
<td>Travel</td>
<td>387.98</td>
<td>204.65</td>
<td>54.36</td>
<td>35.74</td>
<td>84.97</td>
<td>8.26</td>
<td>3.55</td>
</tr>
<tr>
<td>Advertising</td>
<td>402.87</td>
<td>104.97</td>
<td>297.9</td>
<td>128.21</td>
<td>90.44</td>
<td>79.25</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>601.47</td>
<td>254.74</td>
<td>346.73</td>
<td>149.22</td>
<td>105.26</td>
<td>92.24</td>
<td></td>
</tr>
</tbody>
</table>

| Totals | 438,553.35 | 564.36 | 122,627.82 | 87,361.70 | 78,672.64 | 149,326.83 | 64,266.84 | 45,334.17 | 39,725.82 |

### Labor Method Allocation Percentages:

<table>
<thead>
<tr>
<th></th>
<th>Labor Costs</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total HCS</td>
<td>117,386.27</td>
<td>43.04%</td>
</tr>
<tr>
<td>Total ICF/IID</td>
<td>82,804.89</td>
<td>30.36%</td>
</tr>
<tr>
<td>Total CBA</td>
<td>72,561.00</td>
<td>26.60%</td>
</tr>
</tbody>
</table>

|             | 272,752.16  | 100.00%    |

---

**Labor Costs**: 43.04%  30.36%  26.60%
Allocation Methods

RAD Approved Allocation Methods
Total-Cost-Less-Facilities-Cost

The Total-Cost-Less-Facility-Cost allocation method can be used if a provider’s contracts are mixed – some being labor-intensive and others having a programmatic or residential building component.

This method can also be used for an organization that has multiple contracts all requiring a facility for service delivery.

Allocation is based upon the ratio of each contract’s total costs less that contract’s facility/building costs to the provider’s total costs less facility/building costs for all contracts.
Allocation Methods

RAD Approved Allocation Methods
Total-Cost-Less-Facilities-Cost

The facility costs that are required to be removed from the total costs are:

- Maintenance staff costs
- Building/Facility lease/rental costs
- Building/Facility equipment costs
- Insurance costs (buildings, contents, grounds)
- Mortgage interest costs
- Other facility/operations interest costs
- Ad valorem real estate tax
- Utilities costs (electricity, gas, water, wastewater, and garbage disposal)
- Maintenance and repairs costs (buildings, building equipment, grounds)
- Contract services costs (building/facility/operations)
- Depreciation/Amortization costs
Allocation Methods

RAD Approved Allocation Methods
Total-Cost-Less-Facilities-Cost

Finding the allocation percentage using the Total-Cost-Less-Facility-Cost Method:

• The total-cost-less-facility-cost for all contracts = 100%

• Divide each contract’s total-cost-less-facility-cost by the total-cost-less-facility-cost for all contracts. The result is a percentage for each contract

• Apply the resulting percentages to the total indirect shared costs
## Allocation Methods

### Allocation Summary - TOTAL COST LESS FACILITY COST

#### Adjusted Trial Balance

As of XXXX/XXXX

<table>
<thead>
<tr>
<th>Expenses:</th>
<th>Total Costs</th>
<th>Disallowed</th>
<th>Direct Costs</th>
<th>Direct Costs</th>
<th>Shared Costs</th>
<th>Allocated Shared Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td>Lake House</td>
<td>Home Finders</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(RTC)</td>
<td>(CPA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries</td>
<td></td>
<td></td>
<td>125,347.28</td>
<td>74,368.54</td>
<td>50,978.74</td>
<td></td>
</tr>
<tr>
<td>Administrative</td>
<td>125,347.28</td>
<td></td>
<td>125,347.28</td>
<td>74,368.54</td>
<td>50,978.74</td>
<td></td>
</tr>
<tr>
<td>Social Workers</td>
<td>157,288.47</td>
<td></td>
<td>89,854.25</td>
<td>27,385.13</td>
<td>5,588.93</td>
<td></td>
</tr>
<tr>
<td>Director - Child Services</td>
<td>33,254.08</td>
<td></td>
<td>25,458.97</td>
<td>7,795.91</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Contracted Admin. Employees</td>
<td>4,572.08</td>
<td></td>
<td>2,722.22</td>
<td>1,889.46</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Consultants</td>
<td>2,500.00</td>
<td></td>
<td>2,500.00</td>
<td>1,483.25</td>
<td>1,016.75</td>
<td></td>
</tr>
<tr>
<td>FICA/Medicare</td>
<td>24,165.63</td>
<td></td>
<td>6,082.49</td>
<td>9,239.31</td>
<td>5,863.93</td>
<td></td>
</tr>
<tr>
<td>State &amp; Federal Unemployment</td>
<td>5,666.03</td>
<td></td>
<td>1,553.00</td>
<td>777.64</td>
<td>353.06</td>
<td></td>
</tr>
<tr>
<td>Employee Benefits/Insurance</td>
<td>4,847.25</td>
<td></td>
<td>889.47</td>
<td>2,094.77</td>
<td>1,610.75</td>
<td></td>
</tr>
<tr>
<td>Office Lease</td>
<td>9,000.00</td>
<td></td>
<td>2,100.00</td>
<td>4,500.00</td>
<td>1,000.00</td>
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</tr>
<tr>
<td>Utilities</td>
<td>8,945.67</td>
<td></td>
<td>2,087.32</td>
<td>4,472.84</td>
<td>2,065.73</td>
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</tr>
<tr>
<td>Ad Valorem Taxes</td>
<td>3,256.18</td>
<td></td>
<td>1,834.64</td>
<td>343.88</td>
<td>235.72</td>
<td></td>
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<tr>
<td>Maintenance &amp; Repairs</td>
<td>1,846.74</td>
<td></td>
<td>1,041.67</td>
<td>558.82</td>
<td>227.27</td>
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<tr>
<td>Telecommunications</td>
<td>3,008.16</td>
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<td>333.75</td>
<td>2,722.73</td>
<td>924.32</td>
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<tr>
<td>Office Supplies</td>
<td>1,501.60</td>
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<td>891.02</td>
<td>610.78</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Medical Supplies</td>
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<td></td>
<td>518.92</td>
<td>355.72</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Insurance - General Liability</td>
<td>1,254.00</td>
<td></td>
<td>744.00</td>
<td>510.00</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Insurance - Malpractice</td>
<td>1,050.87</td>
<td></td>
<td>623.48</td>
<td>427.39</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Travel</td>
<td>387.98</td>
<td></td>
<td>35.73</td>
<td>24.50</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Advertising</td>
<td>402.87</td>
<td></td>
<td>121.16</td>
<td>121.16</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Miscellaneous</td>
<td>601.47</td>
<td></td>
<td>141.02</td>
<td>141.02</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td>Totals</td>
<td>389,792.70</td>
<td>597.36</td>
<td>134,856.43</td>
<td>95,467.70</td>
<td>158,428.29</td>
<td>64,612.92</td>
</tr>
</tbody>
</table>

#### Total Costs-Less-Facility-Costs Allocation Percentages:

<table>
<thead>
<tr>
<th>Explores:</th>
<th>Lake House</th>
<th>Home Finders</th>
<th>Totals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Costs</td>
<td>134,856.43</td>
<td>95,467.70</td>
<td>230,324.13</td>
</tr>
<tr>
<td>Less Facility Costs</td>
<td>(5,874.40)</td>
<td>(7,063.63)</td>
<td>(12,938.03)</td>
</tr>
<tr>
<td>Total Costs Less Facility Costs</td>
<td>128,982.03</td>
<td>88,404.07</td>
<td>217,386.10</td>
</tr>
<tr>
<td>Allocation Percentages</td>
<td>59.33%</td>
<td>40.67%</td>
<td>100.00%</td>
</tr>
</tbody>
</table>
Allocation Methods

Functional Allocation Methods

Any function benefiting more than one contract must have all costs associated with that *shared function* properly allocated across all the contracts receiving its benefit.
Allocation Methods

Functional Allocation Methods

Costs to be allocated using functional allocation methods could include but are not limited to (1/2):

- Housekeeping
- Laundry
- Maintenance
- Wastewater treatment plant
- Security
Allocation Methods

Functional Allocation Methods

Costs to be allocated using functional allocation methods could include but are not limited to (2/2):

- Activities
- Transportation
- Departmental equipment
- Various administrative functions
Allocation Methods

Functional Allocation Methods: Square Footage

When a building is shared and usage is separate and distinct for each contract, the building costs should be identified and then allocated based upon square footage.

Expenses to be allocated based upon square footage:
- Rent / Depreciation
- Mortgage Interest
- Utilities
- Maintenance
- Property Taxes
- Insurance
Allocation Methods

RAD Approved Allocation Methods
Other Methods

Other Examples:

• Laundry – number of loads
• Maintenance – service tickets
• Activities – attendance records
• Transportation – mileage logs
## Allocation Methods

### APPROPRIATE ALLOCATION METHODS FOR REPORTING
SHARED ADMINISTRATIVE COSTS THAT CANNOT BE REASONABLY DIRECT COSTED

<table>
<thead>
<tr>
<th>Makeup of Controlling Entity's Contracts</th>
<th>Multiple Contracts of the Same (Equivalent) Type of Service</th>
<th>Various Contracts - All Labor-Intensive</th>
<th>Various Contracts - All with Programmatic- or Residential-Building Costs</th>
<th>Mixed Contracts - Some with Programmatic- or Residential-Building Costs and Some Labor-Intensive</th>
<th>Shared Administrative Personnel Performing Different Duties for Different Contracts (Not Direct Care)</th>
<th>Functional Methods</th>
</tr>
</thead>
<tbody>
<tr>
<td>Allowable Allocation Methods</td>
<td>Units of Service</td>
<td>Cost-to-Cost</td>
<td>Cost-to-Cost</td>
<td>Total-Cost-Less-Facility-Cost</td>
<td>Time Study*</td>
<td>Payroll Department - Number of payroll checks issued for each contract during the reporting period</td>
</tr>
<tr>
<td></td>
<td>Only applicable to ICF/IID providers with multiple ICF/IID component codes and no other programs</td>
<td>Labor Costs</td>
<td>Total-Cost-Less-Facility-Cost</td>
<td>Labor Costs</td>
<td>The only acceptable option for providers with both ICF/IID and HCS/TxHmL.</td>
<td>Purchasing Department - Number of purchase orders processed during the reporting period for each contract</td>
</tr>
<tr>
<td></td>
<td>Not applicable to ICF/IID or HCS providers</td>
<td>Salaries</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Providers may use any of the methods listed as appropriate for the makeup of their business organization. If one of the approved methods does not provide a reasonable reflection of the provider's actual operations, the provider must use a method that does. If none of the listed methods provides a reasonable reflection of the provider's actual operations, contact your Rate Analyst for further instructions.
Adequate documentation consists of a written description of each cost allocation method that includes the following (1/2):

• A listing of the various cost categories to be allocated

• The numerator and denominator of the allocation ratio in numbers and words

• Allocation percentages calculated with at least two decimal places
Adequate documentation consists of a written description of each cost allocation method that includes the following (2/2):

- The total dollar amount of shared costs for each category
- The application of the allocation percentages showing 100% allocation of shared costs
- The cost report line number on which each allocated cost is reported
Time Sheets
Time Sheets Who Must Complete

Any staff whose duties include:

• multiple direct service types,

• both direct and indirect service component types, and/or

• both direct hands-on support and first-level supervision of direct care workers.
Time Sheets What Are They?

• Continuous record of time on a daily basis throughout the entire reporting period.

• Maintained to directly charge ALL hours worked in each job function and activity for the entity.
Time Sheets Requirements

- Employee Name
- Date
- Start and Stop time
- Total Hours Worked
- Time worked providing direct services in the program (in increments of 30 minutes or less)
- Time worked performing other functions
- Paid time off
- Appropriate Signatures

§355.105(b)(2)(B)(xii)(I) & (II)
**Time Sheets Requirements**

**DAILY TIME SHEET**

<table>
<thead>
<tr>
<th>TIME (hh:mm)</th>
<th>Consumer</th>
<th>DUTIES/ACTIVITIES PERFORMED</th>
<th>Location</th>
<th>HCS</th>
<th>ICF/MR</th>
<th>INDIRECT/SHARED TIME</th>
</tr>
</thead>
<tbody>
<tr>
<td>8:00 AM - 8:30 AM</td>
<td>Smith, A</td>
<td>Travel to Supervisory Visit</td>
<td>MH</td>
<td>0.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8:30 AM - 9:30 AM</td>
<td>Smith, A</td>
<td>Supervisory Visit</td>
<td>MH</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9:30 AM - 9:45 AM</td>
<td>Jones, S.</td>
<td>Travel to Supervisory Visit</td>
<td>LP</td>
<td>0.25</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9:45 AM - 11:15 AM</td>
<td>Jones, S.</td>
<td>Supervisory Visit</td>
<td>LP</td>
<td>1.50</td>
<td></td>
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</tr>
<tr>
<td>11:15 AM - 11:45 AM</td>
<td>Adams, J.</td>
<td>Travel to Nursing Visit</td>
<td>SW</td>
<td>0.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>11:45 AM - 12:30 PM</td>
<td>Adams, J.</td>
<td>Skilled Nursing</td>
<td>SW</td>
<td>0.75</td>
<td></td>
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<tr>
<td>12:30 PM - 1:00 PM</td>
<td>Adams, J.</td>
<td>Travel Back to Office</td>
<td>SW</td>
<td>0.50</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1:00 PM - 1:30 PM</td>
<td></td>
<td>Lunch</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1:30 PM - 2:30 PM</td>
<td>Lee, M</td>
<td>Phone Calls RE: Adaptive Aids</td>
<td>MH</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2:30 PM - 3:15 PM</td>
<td>Duty, V.</td>
<td>Supervisory Visit for ADL tasks only</td>
<td></td>
<td>0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3:15 PM - 4:00 PM</td>
<td>Hall, J.</td>
<td>Filled in for absent attendant</td>
<td></td>
<td>0.75</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4:00 PM - 4:30 PM</td>
<td></td>
<td>Annual Leave / Vacation</td>
<td></td>
<td>0.50</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**DAILY SUMMARY BY PROGRAM/CONTRACT #**

<table>
<thead>
<tr>
<th>PROGRAM</th>
<th>CONTRACT #</th>
<th>Sup</th>
<th>Attendant</th>
<th>RN</th>
<th>Admin</th>
<th>Indirect</th>
</tr>
</thead>
<tbody>
<tr>
<td>HCS</td>
<td></td>
<td>2.25</td>
<td>0.75</td>
<td>1.00</td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICF LP</td>
<td>700056</td>
<td>1.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ICF SW</td>
<td>706569</td>
<td>1.75</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

**Indirect Time**

- Initial Totals: 4.00 0.75 1.75 1.00 0.50
- Allocated Indirect: 0.27 0.05 0.12 0.07
- TOTAL for the DAY: 4.27 0.80 1.87 1.07 8.00

**Signature:** Jane Smith

**Date:** August 17, 20xx

**Supervisor:** Mary Evans

**Date:** August 17, 20xx
STAIRS

How to Complete the Cost Report in STAIRS
General Information

• The accrual method of accounting must be used UNLESS the provider is a governmental entity, non-profit organization or receives written consent from rate analysis prior to completion of the cost report.

• A reconciliation worksheet between the report and the trial balance is a critical item to the preparation of the report. This should always be prepared.
The first person at a contracted provider to receive access to STAIRS is the Entity Contact (Primary).

Notification of access, and of the login and password, will be by e-mail to the e-mail address we have on file for the provider.

If you have not received notification of access, then please contact costinformation@hhsc.state.tx.us
Before You Begin

Review your ledger for unallowable costs and costs that require allocation.

Adjust for accruals.

Prepare the reconciliation worksheet and allocation summaries.

Gather information on your depreciable assets.
Before You Begin

If you have related-party transactions, determine the **reportable cost(s)** to the **related party** for services, supplies, leases and purchases.

If you contract with a related-party day habilitation, compute the **costs allocable** to the individuals of the cost report you are preparing by staff and cost area and cost item.
Organization of the Cost Report

Reporting Categories

- Combined Entity and Provider Information
- Units of Service and Revenues
- Wages and Compensation
- Payroll Taxes and Workers’ Compensation
- Facility and Operations
- Verification Summary and Certifications
- Agree/Disagree and Informal Review
Entity and Provider Information

- Designation of Entity Contact
- Roles and Designation of Preparer(s) and Other Contacts
- Management of Contracts
The **Entity Contact** (Primary) logs into the system and sets up other users.

First screen is the Dashboard. From here the Entity Contact can edit their own information, add roles for themselves or others, edit the information of other contacts.

This screen also contains a link to Training registration.
Click on **Manage**, to the right on the bar at the top.

Links to **add a new contact**, ICF/IID or HCS/TxHmL preparer is at the top of the page.

The person doing entry will need to have the new contact’s First/Last Name and E-mail. If the person is to be connected to multiple DADS contracts and/or programs, this step will need to be completed once for each contract and program combination.
Select “Add a new contact”.

- Additional Entity Contacts and Financial Contacts can be added at this time.

- **Initial Entity Contact (Primary)** can then edit the **Entity Contact (Secondary)** to make that person the new Entity Contact (Primary) if the initial person is not going to hold that role. Once that is done, the initial Entity Contact (Primary) becomes (Secondary) and can no longer add or edit roles and can only edit his/her own information.
STAIRS – Manage Contacts

Report Preparer – determine who will be preparing your cost report.

Select Add ICF/IID or HCS/TxHmL preparer.

Search by name and check that the person is on the drop-down list to choose as the Preparer in STAIRS.
Entity Contact can set up all other user types and additional Entity Contacts. Can review the cost report. Must sign the Cost Report Certification.

Preparer can set up other Preparers. This is the only role that can make entries into the cost report. Must sign the Methodology Certification. Cannot sign the Cost Report Certification.
Roles

Financial Contact can set up Preparers and other Financial Contacts. Can review the cost report. Can sign and upload the Cost Report Certification.

Detailed information can be found in the document titled “Managing Contacts Processing Procedures” in the Reference Materials section at the bottom of every page in STAIRS. A person can hold more than one role.
Roles

**Combined Entity** - one or more commonly owned corporations and/or limited partnerships where the general partner is controlled by the same identical persons as the commonly owned corporation(s). May involve an additional *CONTROLLING ENTITY* which owns all members of the combined entity.

**Contracting Entity** - The contract with which Medicaid contracts for the provision of the Medicaid services included on this cost report.
STAIRS

Steps 1-2

• **Combined Entity Identification** – all contacts must have information edited

• **General Information** – Combined Entity reporting dates
  - Probably, but not necessarily, the same as contracting entity.
  - Pre-populated. Any correction requires communication with RAD.
Contract Management

• Verify Cost Report **Group Code** – assure that all CPC program contract numbers and IDD, RC or DAHS cost reporting groups that are within the entire related organization are included

• Enter all **other Contracts, Grants or Business Relationships with the State of Texas or any other Entity** – this means everything connected with the entire related organization.
General Information

• Correctly identify the ownership of the contracting entity
• Dates prepopulated
• Rate Enhancement Participation questions prepopulated
• Questions regarding preparation to complete the report
Hurricane Harvey Reporting

Step 4 of the Cost Report asks two Hurricane Harvey related questions:
1) Did you evacuate residents of your facility as consequence of Hurricane Harvey?

2) Did your facility take in evacuees as consequence of Hurricane Harvey?

Answering “Yes” to either of these questions will prompt you with a follow-up line item requesting you to report all expenses above normal operating costs that are directly related to Hurricane Harvey.
Hurricane Harvey Reporting

Hurricane Harvey costs can only be reported on the specific questions relating to the hurricane.

Do NOT include costs related to Hurricane Harvey anywhere else on the cost report.
STAIRS Step 5

Days of Service and Revenue

ICF/IID

• One Day of Service means service for one resident for one day.
• Date of Admittance = one day.
• Date of discharge day is not included.
• “Room holds” or “bed holds” are NOT days of service.
Units of Service and Revenue

HCS/TxHmL – Revenues
Room & Board and Requisition Fees
• Room and Board. Providers with group homes, should be collecting room and board payments and reporting those revenues.
• Requisition Fees. Fees paid by DADS for the administrative expenses of administering the Adaptive Aids, Dental, and Minor Home Modifications voucher services. Do not report the voucher payments themselves.
• DO **NOT** REPORT HCS/TxHmL MEDICAID REVENUES.
Units of Service and Revenue

HCS/TxHmL – Units of Service
Report the **billed** and **billable** units of service.

- Report units according to billing guidelines. You cannot bill for 1.33 units therefore you shouldn’t report 1.33 units.
- You can bill a single unit in quarter hour increments, but that means you report 7 quarter hours as 1.75 units, not 7 units.
- Double check information being reported from your billing system with the CARE system.
STAIRS Step 5

Units of Service and Revenue

HCS/TxHmL – Non-Medicaid services

If you provide unbillable services and incur an expense that cannot be reasonably removed from the cost report, report the services under the Non-Medicaid column (only appropriate for: Supervised Living, Residential Support Services, Day Habilitation, and Foster Care).
STAIRS Step 5

Units of Service and Revenue

HCS/TxHmL – Non-Medicaid services

For example, a resident in a group home loses eligibility for one month. You continue to provide services for those 30 days. You can’t separate out and exclude the costs of serving that one individual, so report the units under Non-Medicaid.

For the hourly services, the costs for non-Medicaid services and the non-Medicaid units should both be removed.
Related Party Issues

Specific Rules for IDD Providers, Step 6b

Definition of a RP:

- Control
- Common ownership
- Blood
- Marriage
- Parent, child, sibling (including step)
- Mother-in-law, Father-in-law
- Aunt, Uncle, Cousin by blood or marriage
Related Party Issues

Specific Rules for IDD Providers, Step 6c

Specific rules IDD providers need to know regarding related party issues regarding the **Attendant** job function.

Step 6a answer opens up related-party questions on Step 6b.
Related Party Issues

Attendant Hours and Compensation

Enter actual hours and compensation

STAIRS adjustments:

- Limitation of 2,600 attendant hours in each program (HCS and ICF/IID)
- Hourly rate will be compared to the Model Wage Rate (MWR)

HCS: §355.722((h)
ICF/ID: §355.457(b)(2)(C)
Related Party Issues

Reasonable and Necessary

RP’s compensation must be “necessary”.

Necessary has two parts:
1. Function needed to be performed.
2. Needed to be part of either direct or indirect contracted services in developing and maintaining the required standards of operation for providing consumer care in accordance with the DADS contract, State, and Federal regulations.

§355.102(f)(2)
Related Party Issues

Reasonable and Necessary

“Reasonable” compensation for an owner, operator, or related party is usually limited to lesser of the amount paid to the related party or the fully-funded model wage rate (MWR).

§355.102(f)(2)
Related Party Issues

Day Habilitation, Step 6c

Contract with a related organization to provide Day Habilitation services.

RP STAFF COSTS:

• Report properly allocated hours and compensation of services to individuals of the contracted provider as if these staff were employees of the contracted provider
• Report as “in-house” Day Habilitation employees
Related Party Issues

Day Habilitation, Special Note

Non-Attendant Staff costs for Day Habilitation:

• Step 6d – Non-Attendant NRP Wages and Benefits

• Step 6e – Administrative and Operations Personnel Wages and Benefits

• Step 8 – All other costs
Related Party Issues

Day Habilitation, Special Note

Facility and Operations Expenses (Step 8)
• Report the expenses of the related organization that are allocable to services provided to individuals of the contracted provider as if these were expenses of the contracted provider by individual expense items, such as Rent/Lease, Depreciation, etc.

Payments to related organization
• Not reportable. Cannot be reported as a lump sum under “contract services”.
Related Party Issues

Management Expenses

Related-party management expenses must be reported as **Central Office** expenses by specific line item.

Limited to **actual costs** incurred by the related party for materials, supplies, and services provided – “Arm’s-length transaction”.

TAC §355.103(b)(3)
Related Party Issues

Related Party Transactions

The key is the “reasonable” and “necessary” cost to the related party and NOT the amount paid (either greater or lesser) by the contracted provider.

TAC §355.103(b)(3)
STAIRS Step 6

Wages and Compensation

• Step 6a - General Information
• Step 6b - Related Party
• Step 6c - Attendant
• Step 6d - Non-Attendant
• Step 6e - Administrative & Operations Personnel
STAIRS Step 6

Wages and Compensation
Reporting Staff Time and Cost

HOURS = Hours worked in order to earn the wages/compensation reported on corresponding line item.

NOTE: Hours reported will not necessarily be the same as what the provider billed or was reimbursed for. Hours on these line items should come directly from payroll records, not billing information.
STAIRS Step 6

Wages and Compensation
Reporting Staff Time and Cost

Allowable Compensation That Must Be Direct Costed (1/3):
• Salaries/Wages
  ➢ Regular Paid Hours
  ➢ Overtime
  ➢ Bonuses
  ➢ Cash Incentives/Awards
• Paid Leave (e.g., sick, vacation, jury, etc.)
• Accrued Vacation, Accrued Sick Leave
STAIRS Step 6

Wages and Compensation
Reporting Staff Time and Cost

Allowable Compensation That Must Be Direct Costed (2/3):

• Employer-Paid Benefits/Insurance
  ➢ Premiums for Health/Medical/Dental, Life Insurance, Disability Insurance
  ➢ Contributions to acceptable retirement funds/pension plans and deferred compensation funds
  ➢ Employer-Paid Child Day Care
STAIRS Step 6

Wages and Compensation
Reporting Staff Time and Cost

Allowable Compensation That Must Be **Direct Costed** (3/3):

- Mileage Reimbursement
  - 1/1/2016 – 12/31/16 = 54¢ per mile
  - 1/1/2017 – 12/31/17 = 53.5¢ per mile

May be less than the maximum, based on provider’s policy, but may never be greater.
STAIRS Step 6

Wages and Compensation
Reporting Staff Time and Cost

Allowable Travel and Transportation – Step 6c

• Transport individuals to/from CPC program services and activities in personal vehicle

• Use personal vehicle to attend allowable training
STAIRS Step 6

Wages and Compensation
Reporting Staff Time and Cost

Compensation That Can Be Direct Costed or Allocated by Functional Method:

• Employer-Paid Health/Medical/Dental Paid Claims

• Employer-Paid Disability Paid Claims
Wages and Compensation
Who Counts as an Attendant?

Unlicensed caregiver providing direct assistance to individuals with Activities of Daily Living (ADLs) and Instrumental Activities of Daily Living (IADLs);

A driver who is transporting individuals in an ICF/IID and in the HCS SL/RSS and HCS and TxHmL Day Habilitation settings
Wages and Compensation
Who Counts as an Attendant?

✓ Medication aides in an ICF/IID and in an HCS SL/RSS setting;

✓ Direct care workers, direct care trainers and job coaches in the ICF/IID, HCS and TxHmL programs; and

✓ Other staff who deliver attendant services to prevent a break in service
STAIRS Step 6

Wages and Compensation
Examples of Staff Who CANNOT Be Counted as an Attendant

Director, administrator, assistant director, assistant administrator, clerical and secretarial staff, professional staff, other administrative staff, licensed staff, maintenance and groundskeeping staff, activity director, Qualified Intellectual Disabilities Professionals (QIDPs), assistant QIDPs, direct care worker supervisors, direct care trainer supervisors, job coach supervisors, foster/companion care providers, and laundry and housekeeping staff

§355.112(b)
STAIRS Step 6

Wages and Compensation
Attendant Non-Related Party Wages and Benefits, Step 6c

Day Habilitation

Staff includes:
• DH Attendant employees of provider
• DH Attendant employees of related-party contractor (properly allocated to this cost report)
STAIRS Step 6

Wages and Compensation
Attendant Non-Related Party Wages and Benefits, Step 6c

Day Habilitation
Contractor includes:
• DH Attendant contract labor of provider that receive a 1099 and are paid an hourly attendant rate.

NOTE: A DH Attendant contractor of provider that receives a 1099 and is paid a daily rate must report those days of service and expenses in Step 8f as either Nonparticipant or Participant Contract Day Hab.
STAIRS Step 6

Wages and Compensation
Attendant Non-Related Party Wages and Benefits, Step 6d

ICF/IID:
• First-line supervisors of attendants
• QIDP
• RNs and LVNs
• Therapeutic professional staff
• Dietary Staff
• Social Workers
STAIRS Step 6

Wages and Compensation
Attendant Non-Related Party Wages and Benefits, Step 6d

HCS:
• First-line supervisors of attendants
• RNs and LVNs
• Therapeutic professional staff
• Foster/Companion Care Providers
STAIRS Step 6

Wages and Compensation
Attendant Non-Related Party Wages and Benefits, Step 6d

Do NOT report contracted Day Habilitation Attendant services in Step 6d.

See Steps 6c (for hourly contract labor) and 8f (for daily rate Day Hab contracts) for direction in reporting Contracted Day Habilitation expenses.
STAIRS Step 6

Wages and Compensation
Administrative Personnel

Step 6e, Administrative Personnel includes the following:

ICF/IID:
- Program Administrator
- Asst. Administrator
- Professional and Clerical Administrative Staff
- Owners
- Other Facility and Operations Staff
- Central Office Staff
STAIRs Step 6

Wages and Compensation
Administrative Personnel

Step 6e, Administrative Personnel includes the following:

HCS
- Same as ICF/IID, PLUS
- Foster/Companion Care Coordinator
- First-line supervisors of Nurses and Dietitians
STAIRS Step 7

Payroll Taxes and Workers’ Compensation

Section 125 or Cafeteria Plan?

Texas Workforce Commission Reimbursing Employer?

Taxes and Workers’ Compensation reported as
• Non-Administration and Central Office
• Administration and Central Office
Facility and Operations Costs

• Step 8a - General Information
• Steps 8b-8d - Related Party Transactions
  ➢ All purchases of supplies or services and loans from a related party
• Step 8e - Assets and Depreciation
  ➢ All assets, related-party purchases of capital items and related-party leases
• Step 8f – Operations Expenses
STAIRS Step 8

Facility and Operations Costs
Step 8a General Information

Questions about asset and operations Self Insurance

Questions to unlock Related Party transaction reporting
STAIRS Step 8

Facility and Operations
Cost Areas

Cost Areas – ICF/IID
• Residential (Small, Medium and Large)
• Day Habilitation
• Program Administration and Operations
• Central Office

Cost Areas – HCS
• Supervised Living and Residential Support Services (SL/RSS)
• Day Habilitation
• Program Administration and Operations
• Central Office
STAIRS Step 8

Facility and Operations Cost
Steps 8b-8d Entering Related-party Transactions

Noncapital purchases, loans, and services--important to remember:

- Related-party transactions are reported at the cost to the related party – not the expense on the books of the provider

Click “Save” to select the report(s) and cost area(s) for each transaction.
STAIRS Step 8

Facility and Operations Cost

• Add your Business Component(s)
  ➢ Remember to enter the required information on the grey bar

• Select the appropriate Cost Area(s)

• Do your allocations in your work papers and enter only the values here.

• If you allocate between Cost Areas or to more than one Business Component, you MUST upload allocation methodology work papers.
STAIRS Step 8

Facility and Operations Cost
Step 8e Entering Depreciable Assets and Related-party Leases

• Not many assets: it’s easier to enter them all by hand.
• A large number of assets: import to save time.

Before beginning asset entry, look at the information that’s required and make sure you have all necessary information collected on each asset to be entered.
STAIRS Step 8

Facility and Operations Cost
Step 8e Entering Depreciable Assets and Related-party Leases

Line items that are completed through this step:
• Depreciation – Buildings & Building Improvements, Building Fixed Equipment, Leasehold and Land Improvements, Other Amortization
• Depreciation – Departmental Equipment
• Depreciation – Transportation Equipment
• Rent/Lease from a related party
• Building and Building Equipment
• Departmental Equipment
• Transportation Equipment
STAIRS Step 8

Facility and Operations Cost
Step 8e Entering Depreciable Assets and Related-party Leases

Asset – this is actually the line item the depreciation expense will be reported in.

Asset description – this drives the useful life and other requested information.

Historical Cost – cost to acquire and prepare for use. Do not include either goodwill or land cost.
Facility and Operations Cost
Step 8e Entering Depreciable Assets and Related-party Leases

Click “Save” to select the report(s) and cost area(s) to allocate each asset.

This must be entered manually for all assets, including assets that were imported.
STAIRS Step 8

Facility and Operations Cost
Step 8f All Other F&O Expenses

Directly entered for nonrelated-party transactions:
• Rent/Lease – Building and Building Equipment
• Rent/Lease – Departmental Equipment/Other
• Interest – Mortgage
• Insurance – Building and Equipment
• Taxes – Ad Valorem Real Estate
• Rent/Lease – Transportation Equipment or Contracted Transportation
Facility and Operations Cost
Step 8f All Other F&O Expenses

Other expenses:
• Utilities & Telecommunications
• Building/Equipment – Contracted Services and Maintenance and Repairs
• Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other
• Liability Insurance
• Staff Training/Seminars
• Travel (not to include mileage reimbursement)
STAIRS Step 8

Facility and Operations Cost
Step 8f All Other F&O Expenses

3rd-Party Contracted Day Hab

Non-Partcipants - Do not report these costs in Step 6!

Non-Related Party Day Habilitation Contract for Non-Participants in the Attendant Compensation Rate Enhancement:

• Include here all 3rd-party contracted days of service and the total amount paid to the 3rd party contractor for provision of Day Habilitation services.
STAIRS Step 8

Facility and Operations Cost
Step 8f All Other F&O Expenses

3rd-Party Contracted Day Hab

**Participants - Report ONLY the properly allocated Attendant Costs in Step 6c!**

Non-Related Party Day Habilitation Non-Attendant Contracted Costs for Participants in the Attendant Compensation Rate Enhancement:

- Include here all 3rd-party contracted days of service and the difference between the amount paid to the 3rd-party contractor and what is required to be reported in Step 6c.
Facility and Operations Cost
Step 8f All Other F&O Expenses

Program Administration and Operations and Central Office:
• Fees – Management Contract
• Fees – Contracted Administrative, Professional, Consulting and Training
• Licenses and Permits
• Taxes – Texas Corporate Franchise Tax
• Taxes – Other (describe)
• Advertising
• Dues and Memberships
STAIRS Step 8

Facility and Operations Cost
Step 8f All Other F&O Expenses

Line items that are different between the programs:
• Quality Assurance Fee – ICF/IID only
• Resident Care and Operations Supplies
  ➢ Look carefully at instructions to see what is and what is NOT allowable in this line item by program.

• Food and Dietary Supplies
  ➢ Look carefully at instructions to see what is and what is NOT allowable in this line item by program.
STAIRS Step 9, 10, and 11

Verification Summary and Certifications

The **final summary** shows everything entered into the cost report.

The preparer is required to verify his/her entries.

There are two certifications:
- Methodology
- Cost Report

Both must be signed, notarized and uploaded into STAIRS in order for the report to be submitted.
STAIRS Step 9, 10, and 11

Verification Summary and Certifications

Once you have verified your information and printed the certifications, the cost report is locked to any further changes.

If you realize that something was omitted and you need to access your data again or upload an additional document, you will need to contact your Rate Analyst to assist with getting the report re-opened.
STAIRS Step 12

Provider Adjustments Report

Report Shows:

• Changes made to original values
• Adjusted amount
• Reason for the adjustment
• Summary Table at bottom of report
• Review Period Expiration date

§355.107(a)
STAIRS Step 13

Agree / Disagree

Completed by individual legally responsible for conduct of contracted provider.

Designated in STAIRS with “Entity Contact” or “Financial Contact” role.

Agree = Finalizes this cost report.

§355.110
STAIRS Step 13

Agree / Disagree

Disagree = Informal Review (IR) request.

IR – must be received no later than 30 calendar days from adjustments notification.

Extension to file IR – within 30 days from notification; provides 15 additional days (total of 45 days).
STAIRS Step 13

Agree / Disagree

“Agree and Request a Payment Plan”

- This is a third option that appears for reports that have a recoupment amount above $25,000
- Finalizes this cost report
Payment Plan Requests

If your cost report has a recoupment amount below $25,000, then you still may request a payment plan.

The Rate Analysis Department has a formula that it uses to determine if a provider is eligible for a payment plan.

However, each payment plan request will be determined on a case by case basis that considers the specific circumstances of the provider and the cost report.
Payment Plan Requests
Letters for a Payment Plan Request must be emailed to the Director of Rate Analysis for Long-Term Services and Supports at RAD-LTSS@hhsc.state.tx.us or faxed to (512) 730-7475 and must follow these requirements:

• Is on the company letterhead
• Details what is being requested (a payment plan)
• Includes Cost Report Group number or Contract number
• Includes the year and type of report
• Is signed by the “individual legally responsible for the conduct of the interested party” (usually the Entity Contact in STAIRS)
• The request meets the deadline (30 days from the Provider Notification date)
Informal Review:

• Written request

• Signed by individual legally responsible for the conduct of the requesting entity

• Hand delivery, U.S. mail, special mail delivery, fax, or email (with certain requirements)
Informal Review

After HHSC staff has completed the IR, provider will be notified and can see the adjustments via Step 14.

Any further actions, such as a formal appeal, will not be handled in STAIRS.
Cost Reports are due April 30, 2018.
Contact Information

For Assistance With:

Cost or Accountability Report completion, instructions, informal reviews and/or general guidance
(512) 424-6637  rad-ltss@hhsc.state.tx.us

Cost or Accountability Report Excusals
(512) 490-3193  radcostreportverification@hhsc.state.tx.us

Cost Report Requests and Submission, Enrollment for Rate Enhancement, Training Information and Registration, or STAIRS Technical Assistance
(512) 490-3193  costinformation@hhsc.state.tx.us
Contact Information

Regular Mail:
Texas Health and Human Services Commission
Rate Analysis Department, Mail Code H-400
P. O. Box 149030
Austin, TX  78714-9030

Special Delivery:
Texas Health and Human Services Commission
Rate Analysis Department, Mail Code H-400
4900 North Lamar Blvd.
Austin, TX 78751-2316
Thank you