

WORKSHEET 1 ADJUSTMENT FOR NON-RELATED AND NON-CERTIFIED

General Instructions

Worksheet 1, Adjustment for Non-Related and Non-Certified Activities, is a supplementary document to the Title XIX cost report. It provides a uniform reporting format to identify non-related and non-certified activities and the associated costs that a nursing facility provider may incur.

The non-related activities portion of this worksheet identifies the activity, the costs, and where those costs are recorded in the cost report. Examples of non-related activities include: management services, leasing or subleasing parts of the building, equipment or land, day care services, farming operations, etc. For most providers, the costs associated with non-related activities are directly identifiable from the facility's books. If the non-related activity is complex and separate accounts are not maintained to record the expenses associated with the non-related activity, the remaining portions of Worksheet 1 should be completed to identify the direct and indirect expenses of the non-related activity with documented statistical data as basis for allocation.

The non-certified activities portion of this worksheet identifies expenses recorded on the facility's books which were incurred for activities not relating to the Title XIX certified nursing facility or licensed nursing facility; i.e., non-certified portions of the nursing facility, residential care facilities, business functions relating to patient care in non-certified areas, etc. If a nursing home has a certified distinct part and wishes to identify the expenses related to the certified distinct part, this worksheet must be completed to allocate a portion of the total cost to the distinct part. If the allocation basis for non-certified and certified cost only uses patient days, then Worksheet 1 is not necessary because the result of per patient day cost is the same as not allocating. Acceptable methods for allocating non-certified costs are provided as guidelines on the front page of Worksheet 1. If the provider wishes to allocate non-certified costs using a different basis, a written request must be submitted prior to the beginning of the reporting period and approved by the Department of Social Services. The request must include the allocation basis, the expenses that will be allocated using this basis, the statistical data, and an explanation of the need to use this basis rather than the Department's guideline basis. Allocation methods used for each reporting period must be consistent with those used in the previous fiscal year unless a prior request is submitted, as outlined above, and approved by the Department of Social Services.

Instructions for Completing Worksheet 1

Enter the provider name and period of the report as shown on the cost report. Round all amounts to the nearest dollar. The allocation percentage should be carried out to four decimal places, i.e., .5423 or 54.23%.

I. Non-Related Activities

Description

Identify the non-related activity and include a short description in this column. Be specific as to the type of activity; for example, if the non-related activity can be generally described as "leasing," specify what is leased, such as a pharmacy, a room for therapy, a parcel of land, etc.

Where Included in Cost Report

Enter the schedule, A or B (Schedule Report A for revenues, Schedule B for expenses) and the line numbers on which the revenues or expenses for the non-related activities are reported.

Amount

Enter the amount of revenue or expense reported on the cost report. Appropriate adjustments are to be made on Schedule A and/or B for the non-related activity.

II. Non-Certified Activities

Acceptable allocation methods are listed on page 18 of Worksheet 1. Various allocation bases may be applied to the different line items within a cost component. If statistical data is not kept for a listed allocation basis, the use of patient days is acceptable unless the allocation by patient days is inaccurate or inequitable allocation of cost. An example of such situation would occur in the allocation of housekeeping expenses (lines 91-93 of the ancillary component), plant operation expenses (lines 111 and 116-119 of the administration component) and the entire capital component, if the occupancy percentage of the non-certified area was 80% and the certified area was 85%. These expenses would be approximately the same for all beds regardless of occupancy differences between the areas. The allocation by patient days would result in a higher portion of the total expense being allocated to one area. Allocation by bed days would be a better method to allocate these expenses and would result in a more equitable cost allocation to the non-certified and certified areas. When the occupancy percentages of the certified and non-certified areas differ by more than five (5) percentage points, the above identified housekeeping, plant operations and capital expenses must be allocated based on bed days, square feet or actual.

The use of more than one allocation basis in a component may be done. For example, in the patient care component, actual for RN and LPN salaries, meals served basis for dietary expenses and patient day basis for the remaining expenses. In the ancillary component, laundry expenses may be allocated by pounds of laundry, housekeeping expenses by square feet, and remaining expenses by patient days. In the administration component, Plant Operation expenses may be allocated by square feet and the remaining expenses based on accumulated cost. In the capital component, depreciation and interest may be based on actual, and the remaining expenses based on square feet or bed days. If different allocation bases are used in a cost component, the allocation method for payroll taxes, employee benefits and workers' compensation in each cost component should be the ratio of salary expenses allocated for non-certified area to total salary expense in that particular cost component.

Allocation Basis - Statistics

This schedule summarizes the various allocation methods available and provides a uniform format for recording the statistical data. The percentages for each basis should be recorded on this schedule, page 19, the "Allocation of Revenues" schedule, page 20, and the "Allocation of Expenditures" schedule, pages 21, 22 and 23.

Actual

The facility must maintain accurate and separate accounts and records of revenues and expenses for the non-certified and certified areas. These actual amounts should be recorded on pages 20 through 23.

Patient Days

The total inpatient days for the non-certified and certified areas are to be recorded on the appropriate line. The sum of these numbers equals total patient days. The total patient days for the non-certified area divided by the total patient days equals the percentage for the non-certified area to be applied to expenses.

Staff Hours

A time study should be performed for each employee classification; RN, LPN, aides and orderlies, etc. The time study must be done for at least a two-week period in each quarter of the provider's fiscal year. The space is divided on the schedule in order to Staff Hours (Continued) record the time studies' data for each employee classification. Actual time worked in the non-certified and certified areas may be used. It is necessary that employees work strictly in either the certified or non-certified area, and the salary expenses are therefore directly identifiable as relating to either the certified or non-certified area. The staff hours worked in each area, certified and non-certified, would be recorded on the respective lines and the respective percentages calculated.

Meals Served

Statistical data must be kept for the number of meals served to non-certified area residents and certified area residents. Enter the number of meals served to residents in the non-certified and certified areas on the appropriate lines. The sum of these equals the total meals served. The meals served to residents in the non-certified area divided by the total meals equals the percentage for the non-certified area to be applied to expenses.

Pounds of Laundry

Statistical data must be kept on the pounds of laundry done for the non-certified area residents and certified area residents. A laundry study is acceptable that is done for at least two full weeks of each quarter of the provider's fiscal year. The laundry must be weighed and separated by non-certified area residents and certified area residents. The number of pounds should be recorded on the appropriate lines. The sum equals total pounds of laundry. The pounds of laundry from the non-certified area divided by the total pounds of laundry equals the percentage for the non-certified area to be applied to expenses.

Square Feet

The square footage of the facility should be obtained from measurements from available blueprints or actual measurement of the entire facility. Common areas should be excluded from the total or allocated on an Square Feet (Continued) appropriate method for each department. The square feet for the non-certified area and the certified area are entered on the appropriate lines. The sum of these equals total square feet. The square feet in the non-certified area divided by the total square feet equals the percentage for the non-certified area to be applied to expenses.

Bed Days

The non-certified bed days are computed by multiplying the number of non-certified beds by the number of days during which the beds were non-certified. Certified bed days are computed by

multiplying the number of certified beds by number of days during which the beds were certified (Should be the same as line 8.5 column 8 on the front page of the cost report). The sum of these equals total bed days. The bed days for the non-certified area divided by the total bed days equals the percentage for the non-certified area to be applied to expenses.

Accumulated Cost

This method of allocation involves the determination of non-certified and certified area costs for all cost areas except general and administrative type expenses; lines 112-115, lines 120-144, and lines 148-149. The sums of these costs are totaled for non-certified and certified areas from Worksheet 1 and the Title XIX cost report and recorded on the appropriate lines. The sum of these equals total cost. The accumulated cost for the non-certified area divided by the total cost equals the percentage for the non-certified area to be applied to expenses.

Allocation of Revenue and Expenditures

This schedule, pages 20, 21, 22 and 23 of Worksheet 1, provides a format by which to allocate and determine the cost for non-related and/or non-certified activities. The revenues and expenses listed correspond to the line items of Schedules A and B of the Title XIX cost report.

The methods of allocation and determination of non-certified area costs and how to complete this schedule has been explained in the preceding instructions. The allocation by patient days is recommended by the MO HealthNet Division and is the method most commonly used by providers; however, there may be exceptions of this method if the use of another method result in a more equitable cost allocation of non-certified costs.

The Division recommends the provider make all revenue offsets and adjustments for non-allowable and non-reimbursable expenses as defined by regulation to the general ledger cost reported on the Title XIX cost report. The adjusted total allowable amounts (Column 1 less column 2 for revenues and column 1 less column 3 for expenses) are recorded in the General Ledger Adjusted Cost column. Since other revenue items have been offset, the line items for the other revenue section of this worksheet usually would be reported as zero under the general ledger adjusted cost column. The non-certified percentages, as determined on page 19, are recorded on the appropriate revenue and expense line under the Non-Certified Allocation Percentage column. The general ledger adjusted costs are multiplied by the non-certified area percentage. This equals the Non-Certified Cost Adjustments, which are recorded in the last column. This amount is also recorded in column 2, Non-Certified Non-Related Adjustment of the Title XIX cost report for each appropriate line item. The subtotals should be added and recorded, and the sum of total revenues and expenses should be recorded.