

Intermediate Care Facilities (ICF) Crosswalks of Expenses to Cost Report Steps

Table 1. Step 6c.

Expense	Reference	Definitions
Attendant Wages, Regular Pay - Related Party	TAC §355.103(b)(2)(A)	<p>Regular Pay is monetary compensation paid by an employer to an employee in exchange for work done. Payment may be calculated as a fixed amount for each task completed, at an hourly or daily rate, or based on an easily measured quantity of work done.</p> <p>The formula to compute the regular pay is: Total compensation in the workweek (except for statutory exclusions) ÷ Total hours worked in the workweek = Regular Pay for the workweek.</p> <p>Related Parties are people/contractors significantly associated with or in control of the organization providing a good or service. This category includes, but is not limited to:</p> <ul style="list-style-type: none"> • Spouse; • Natural/adopted/stepparent, child, sibling; • Uncles, aunts, nieces, and nephews; • First cousins; and • Business partners.

Expense	Reference	Definitions
Attendant Wages, Overtime Pay - Related Party	29 CFR 778.1(b)	<p>Overtime Pay is one and a half times a worker’s regular rate of pay. If Overtime pay is due, the worker must receive it for every hour worked over 40 hours in a workweek.</p> <p>Related Parties are people/contractors significantly associated with or in control of the organization providing a good or service. This category includes, but is not limited to:</p> <ul style="list-style-type: none"> • Spouse; • Natural/adopted/stepparent, child, sibling; • Uncles, aunts, nieces, and nephews; • First cousins; and • Business partners.
Attendant Wages, Regular Pay - Non-Related Party	TAC §355.103(b)(1)(A)	<p>Regular Pay is payment for standard, contracted hours for services that are deemed necessary. Hours are to be reimbursed at a reasonable rate for the value of the service.</p> <p>Non-Related Parties are people/contractors not significantly associated with or in control of the organization providing a good or service.</p> <p>Relatedness is determined on a case-by-case basis.</p>
Attendant Wages, Overtime Pay - Non-Related Party	29 CFR 778.1(b)	<p>Overtime Pay is one and a half times a worker’s regular rate of pay. If Overtime pay is due, the worker must receive it for every hour worked over 40 hours in a workweek.</p> <p>Non-Related Parties are people/contractors not significantly associated with or in control of the organization providing a good or service.</p> <p>Relatedness is determined on a case-by-case basis.</p>

Expense	Reference	Definitions
Attendant Benefits/Insurance	TAC §355.103(b)(1)(A)(iii)	<p>Attendant Benefits include, but are not limited to:</p> <ul style="list-style-type: none"> • Employer contributions to certain deferred compensation plans, retirement funds, or pensions; • Paid leave; • Provider-paid instructional courses; and • Health, disability, and life insurance policies. <p>Please see the TAC rule for information on how to report employee benefits.</p>
Attendant Mileage Reimbursement	TAC §355.103(b)(1)(A)(iii)(II)	<p>Attendant personal vehicle mileage reimbursement is to be reported as costs applicable to specific cost report line items. But, if reimbursement is subject to payroll taxes, it is to be reported as salaries and wages.</p>

Table 2. Step 6d.

Expense	Reference	Definitions
Non-Attendant Wages - Related Party	TAC §355.103(b)(2)(A)	<p>Non-attendant wages related party included wages for licensed professionals providing indirect care functions such as Registered Nurses (RN), Licensed Vocational Nurses (LVN), Physical Therapists (PT), behavioral support, etc., associated with or in control of the organization.</p> <p>Related Parties are people/contractors significantly associated with or in control of the organization providing a good or service. This category includes, but is not limited to:</p> <ul style="list-style-type: none"> • Spouse; • Natural/adopted/stepparent, child, sibling; • Uncles, aunts, nieces, and nephews; • First cousins; and • Business partners.

Expense	Reference	Definitions
Non-Attendant Wages - Non-Related Party	TAC §355.103(b)(1)(A)	<p>Non-attendant wages non-related party includes wages for licensed professionals providing indirect care functions such as RNs, LVNs, PTs, behavioral support, etc., associated with or in control of the organization.</p> <p>Non-Related Parties are people/contractors not significantly associated with or in control of the organization providing a good or service.</p> <p>Relatedness is determined on a case-by-case basis.</p>
Non-Attendant Benefits/Insurance	TAC §355.103(b)(1)(A)(iii)	<p>Non-attendant benefits/insurance includes benefits for professionals providing indirect care functions such as RNs, LVNs, PTs, etc. These benefits must be direct costed, not allocated, except for paid claims where the employer is self-insured.</p> <p>Non-Attendant Benefits include, but are not limited to:</p> <ul style="list-style-type: none"> • Employer contributions to certain deferred compensation plans, retirement funds, or pensions; • Paid leave; • Provider-paid instructional courses; and • Health, disability, and life insurance policies. <p>Please see the TAC rule for information on how to report employee benefits.</p>
Non-Attendant Mileage Reimbursement	TAC §355.103(b)(1)(A)(iii)(II)	<p>Employee vehicle mileage reimbursement is to be reported as costs applicable to specific cost report line items. But, if reimbursement is subject to payroll taxes, it is to be reported as salaries and wages.</p> <p>Staff can claim mileage and reimbursement expenses for transporting individuals to and from HCS/TxHmL program services and activities in their personal vehicle. Expenses for allowable training sessions attended in their personal vehicle are also covered.</p>

Table 3. Step 6e.

Expense	Reference	Definitions
Administrative Wages - Related Party	TAC §355.102(f)(4)	Administrative Wages are regular pay for administration services that contribute to the operation of the contracted entity. They are reported as indirect costs.
Administrative Wages - Non-Related Party	TAC §355.102(f)(4)	Administrative Wages are regular pay for administration services that contribute to the operation of the contracted entity. They are reported as indirect costs.
Administrative Benefits/Insurance	TAC §355.103(b)(1)(A)(iii)	<p>Administrative Benefits/Insurance include, but are not limited to:</p> <ul style="list-style-type: none"> • Employer contributions to certain deferred compensation plans, retirement funds, or pensions; • Paid leave; • Provider-paid instructional courses; and • Health, disability, and life insurance policies. <p>Please see the TAC rule for information on how to report employee benefits.</p>
Administrative Mileage Reimbursement	TAC §355.103(b)(1)(A)(iii)(II)	Employee vehicle mileage reimbursement is to be reported as costs applicable to specific cost report line items. But, if reimbursement is subject to payroll taxes, it is to be reported as salaries and wages.
Central Office Wages - Related Party	TAC §355.102(f)(4)	Central Office Wages are regular pay for administration services performed in a central office that contribute to the operation of the contracted entity. They are reported as indirect costs.
Central Office Wages - Non-Related Party	TAC §355.102(f)(4)	Central Office Wages are regular pay for administration services staff performed in a central office that contributes to the operation of the contracted entity. They are reported as indirect costs.

Expense	Reference	Definitions
Central Office Benefits/Insurance	TAC §355.103(b)(1)(A)(iii)	<p>Central Office Benefits/Insurance includes benefits and insurance payments for central office staff.</p> <p>Central Office Benefits include, but are not limited to:</p> <ul style="list-style-type: none"> • Employer contributions to certain deferred compensation plans, retirement funds, or pensions; • Paid leave; • Provider-paid instructional courses; and • Health, disability, and life insurance policies. <p>Please see the TAC rule for information on how to report employee benefits.</p>
Central Office Mileage Reimbursement	TAC §355.103(b)(1)(A)(iii)(II)	<p>Employee vehicle mileage reimbursement is to be reported as costs applicable to specific cost report line items. But, if reimbursement is subject to payroll taxes, it is to be reported as salaries and wages.</p>

Table 4. Step 7.

Expense	Reference	Definitions
FICA & Medicare Payroll Taxes	TAC §355.103(b)(1)	<p>All wages/salaries/bonuses paid, including cash or non-cash, are subject to the Federal Insurance Contributions Act (FICA).</p> <p>For State purposes ONLY. FICA is to be reported at 7.65%. FICA applies to all employees except for contracted employees who are being paid through another agency. You would not report wages or taxes on these individuals.</p> <p>Self-employment taxes are to be reported under this item.</p>

Expense	Reference	Definitions
State and Federal Unemployment Taxes	TAC §355.103(b)(12)	<p>Allowable compensation of employees refers to the compensation paid to employees in transactions that are conducted at arm's length, where the employees are neither owners nor related parties of the company.</p> <p>This compensation is subject to the reasonable and necessary costs incurred by the providers in offering contracted services to clients. In other words, the payment to employees must be reasonable and justifiable, and it should not include any additional benefits or incentives that are not directly related to the employees' work performance or duties. It is an allowable tax to enter on your cost/accountability report.</p> <p>State and Federal unemployment taxes are paid for any proprietary entity that pays a wage of more than \$500.</p>
Workers' Compensation Premiums and Paid Claims	TAC §355.103(b)(13)	<p>Workers' Compensation premiums and paid claims are both reported.</p> <p>Compensation claims are to be reported under this item.</p>

Table 5. Step 8f – Facility Cost.

Expense	Reference	Definitions
Rent/Lease Building & Building Equipment	TAC §355.103(b)(10)	<p>Report the following in this item:</p> <ul style="list-style-type: none"> • Building and building equipment lease/rental costs; • Monthly building lease payments; and • Durable Medical Equipment. <p>If the total amount of the deposit is not refunded at the specific time noted in the lease, the unrefunded deposit amount not used for allowable remodeling and purchases of replacement items/fixtures is allowable for reporting as repairs/maintenance or depreciation, whichever is appropriate.</p>

Expense	Reference	Definitions
Interest - Mortgage	TAC §355.103(b)(11)	<p>Report the interest expense accrued during the reporting period from the purchase of a facility (mortgage interest).</p> <p>For a nonprofit entity that issues bonds for the purchase of the facility, report bond issuance cost.</p> <p>Unallowable costs – late payment fees and penalties.</p>
Insurance - Building and Equipment	TAC §355.103(b)(13)	<p>Report insurance premiums for buildings, contents, and grounds with accrued amounts for premiums, modifiers, and surcharges. Deduct any refunds, discounts, or settlements received during the same period.</p> <p>i.e., the premiums are accrued, and related expenses are reported on a cash basis.</p> <p>The amount of allowable self-insurance costs may be subject to a cost ceiling. See 1 TAC Section 355.103(b)(13)(E).</p>
Utilities & Telecommunications	TAC §355.103(b)(8)	<p>“To be allowable, the utilities must be used directly or indirectly in the provision of contracted services.”</p> <p>i.e., electricity, gas, water waste, and garbage.</p> <p>Telecommunications associated with the contracts refers to the cost for the telephone, pager, and facsimile services only.</p>

Expense	Reference	Definitions
Contracted Services and Maintenance and Repairs	TAC §355.103(b)(9)	<p>Report expenses for contract services related to building/grounds repairs and maintenance (including contracted janitorial services, fire alarm inspections, and lawn services).</p> <p>Report maintenance supplies related to facility maintenance and non-depreciable repairs and maintenance costs associated with buildings, building equipment, and grounds. For cost reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs:</p> <ul style="list-style-type: none"> • Ordinary repairs and maintenance include but are not limited to painting, wallpapering, cop machines repair, or repairing an electrical circuit. • Extraordinary or major repairs include, but are not limited to, major improvements in a building’s electrical system, carpeting an entire building, replacing a roof, or strengthening the foundation of a building. Extraordinary repairs that cost \$2,500 or more and have a useful life of more than one year will not be reported here.
Taxes - Ad Valorem Real Estate	TAC §355.103(b)(12)	Report the cost of ad valorem real estate taxes related to Program Administration and/or Central Office buildings. Taxes must be reported on an accrual basis for the cost-reporting period only.
Depreciation - Building and Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements and Other Amortization	TAC §355.103(b)(10)	This category includes all building improvements, building fixed equipment, leasehold improvements, land improvements, and amortizable items with a cost of \$5,000 or more and a useful life of more than one year.

Table 6. Step 8f – Operations Cost.

Expense	Reference	Definitions
Rent/Lease Departmental Equipment	TAC §355.103(b)(10)(B)	Departmental equipment expenses include rent or lease payments for items such as telephone systems, pagers, fax machines, photocopiers, and computers.
Depreciation - Departmental Equipment	TAC §355.103(b)(10)(B)	Name the type of allocation method used if reporting more than one facility within the depreciation summary. Rule for depreciation - Departmental equipment with a cost of \$5,000 or more than a useful life of more than one year.
Operations Supplies	TAC §355.102(f)	Gross expenses minus any purchase discount, rebates, returns, or allowances are reported as net expenses. <ul style="list-style-type: none"> • Allowable – non-depreciable equipment, required to maintain and repair department equipment, garbage cans/bags, and cleaning supplies. • Unallowable – eyeglasses, cost for physicians’ visits, dental, and expenses.
Food and Dietary Supplies	TAC §355.102(f)(3)	Food and Dietary Supplies include expenses for fresh, frozen, canned, or dried meats, vegetables, fruits, and beverages purchased for the group home or used for activities of Day Habilitation services. Day Habilitation service was replaced by Individualized Skills and Socialization services effective 3/1/23. Dietary Supplies expenses are for dishes, flatware, utensils, paper products, detergents, reference books, and other resource materials used to plan meals and provide necessary nutritional services.

Expense	Reference	Definitions
Depreciation – Transportation Equipment	TAC §355.103(b)(10)(C)	<p>Transportation equipment is any vehicle with a cost of \$5,000 or more with a useful life of more than one year.</p> <p>Depreciation items if: Cost > or = to \$5,000 and > than 1-year useful life</p> <p>Examples of transportation equipment:</p> <ul style="list-style-type: none"> • Cars & Minivans – 3 years • Light trucks and vans – 5 years • Buses & Planes – 7 years • Used vehicles: longer of years remaining in useful life of the vehicle or 3 years)
Rent/Lease Transportation Equipment or Contracted Transportation Services	TAC §355.103(b)(10)(C)	<p>Transportation equipment that is leased or rented and accrues costs.</p> <p>Contracted Transportation services include a contract with local taxi company, monthly passes for individuals on a bus system, or other contracts to provide transportation to individuals; other allowable transportation expenses include license tags, parking fees, and tolls.</p>
Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other	TAC §355.103(b)(9)	<p>Transportation service expenses include expenses related only to the delivery of HCS/TxHmL services, for example:</p> <ul style="list-style-type: none"> • Insurance on loans; • Property taxes; • Maintenance repairs; and • Gas and oil.

Expense	Reference	Definitions
Staff Training	TAC §355.103(b)(15)(A)	<p>To be allowable, the training must be located within the state of Texas (unless not available in Texas) and related directly to the job being performed by the staff person attending the training.</p> <p>i.e., Workshops on client services, health applications, on-the-job safety, data processing, accounting, supervisor techniques, and other administrative activities; instructor/consulting fees, training supplies, and visual aids, off-site training registration fees, seminar supplies, and classroom costs.</p>
Insurance – Liability	TAC §355.103(b)(13)©(ii)	<p>Insurance premiums for general liability and professional malpractice, liability insurance for board members, paid claims, and deductibles.</p>
Travel	TAC §355.103(b)(15)(B)	<p>Allowable travel for purposes other than training must be related directly and primarily to the job being performed by the staff person. Travel must be within the state of Texas except for travel for the “purpose of delivering direct contacted client services,” and travel must be between Texas and the contracted provider's central office.</p> <p>All costs for travel outside the continental United States are unallowable costs, these costs should not be reported in this step.</p>
Fees – Management Contract	TAC §355.103(b)(6)	<p>Reasonable management fees paid to non-related parties are allowable costs. If the contracted provider has a management agreement with a nonrelated business entity to provide management services to the contracts, include it in the Cost Report Group, report the fees incurred here, and upload a copy of the management agreement signed by all interested parties.</p> <p>If an expense is reported in this item, then Step 6.a., Question 1, “Do you have any contracted management costs to report?” must be “Yes.”</p>

Expense	Reference	Definitions
Fees – Contracted Administrative, Professional, Consulting, and Training Services	TAC §355.103(b)(15)(A)(iii)	<p>Allowable management fees paid to related parties for administrative services are limited to the actual costs incurred by the related party manager for services provided.</p> <p>Within the narrow range of circumstances where legal expenses are allowable on the Cost Report, adequate documentation must be maintained as described in 1 TAC Section 355.105(b)(2)(B)(viii).</p> <p>This item can include clerical temporaries, printing, copying, and courier delivery, workers’ compensation administrative/legal expenses, and franchise fees.</p>
Licenses and Permits	TAC §355.103(b)(14)(A)	<p>Include fees for licenses and permits and license fees paid on behalf of an employee.</p> <p>i.e., Administrator license</p>
Interest – Other	TAC §355.103(b)(11)	<p>Maintain adequate documentation and report the cost of interest paid on working capital loans.</p> <p>i.e., lines of credit</p> <p>If a related party funded the loan, do not enter here.</p>
Taxes – Texas Corporate Franchise Tax	TAC §355.103(b)(12)(C)	<p>Report the cost of Texas corporate franchise tax expenses for the cost-reporting period only for corporate entities. Costs outside the reporting period must be prorated to only include costs associated with the reporting period in tax statements.</p>
Taxes – Other	TAC §355.103(b)(12)	<p>Personal property taxes related to the contents for HCS/TxHmL building(s) and other operational taxes associated with HCS/TxHmL building(s) only.</p>
Advertising	TAC §355.103(b)(16)	<p>Advertising expenses for recruitment of necessary personnel, yellow page listing is no larger than one-eighth of a page, advertising to meet statutory or regulatory requirements, and advertising for the procurement of items related to contracted resident care are allowable costs.</p>

Expense	Reference	Definitions
Dues and Memberships	TAC §355.103(b)(14)	<p>Dues for membership in professional associations are directly and primarily concerned with the provision of HCS/TxHmL services for which the provider is contracted.</p> <p>Subscriptions to newspapers, journals, and magazines whose content is primarily concerned with the provision of services for which the provider is contracted.</p>
Non-Related Party Day Habilitation Contract for Non-Participants in Rate Enhancement. Days of Service	TAC §355.112(ff)	<p>Non-participants – report the days and compensation for contracted non-related party Individualized Skills and Socialization services. As for a related organization contracted with the Day Habilitation, no costs will be reported in this line item.</p> <p>Day Habilitation was replaced with Individualized Skills and Socialization services, effective 3/1/23.</p> <p>Days of Service – report accrued days of services related to the contracted Day Habilitation services.</p>
Non-Related Party Day Habilitation Contract for Participants in Rate Enhancement. Days of Service	TAC §355.112(ff)	<p>Participants – report days and payments to the third-party contractor. As for a related organization contracted with a Day Habilitation provider, the properly allocated Administration, Facility, and Operations costs of the related organization will be reported in the correct cost area.</p> <p>Days of Services are accrued days of service related to the contracted compensation reported.</p>
Other Expenses	TAC §355.103(a)	<p>Except where specific exceptions are noted, the allowability of all costs is subject to the general principles specified in 1 TAC §355.102.</p> <p>Refer to program-specific allowable and unallowable costs, as applicable.</p>

Table 7. Step 8h.

Expense	Reference	Definitions
All Other Costs (Unallowable)	TAC §355.103(a)	<p>Unallowable cost is a cost that is not reasonable or necessary to provide contracted client care.</p> <p>If an expense is classified as unallowable for purposes of cost reporting, it does not mean that individual contracted providers may not make such expenditures. Except where specific exceptions are noted, the allowability of all costs is subject to the general principles specified in TAC §355.102.</p>