2021 Cost Report and 2022 Accountability Report Instructions for Day Activity & Health Services (DAHS)

<u>For assistance with:</u>

Report completion

PFD (PFD) Long Term Services and Supports (LTSS) Center for Information and Training

Phone: (737) 867-7817 or Email: PFD-LTSS@hhs.texas.gov

Receipt of the report

Phone: (737) 867-7812 or Email: CostInformationPFD@hhs.texas.gov

Report Groups assigned to provider's entity

Phone: (737) 867-7812 or Email: CostInformationPFD@hhs.texas.gov

Report Preparers or the list of trained Preparers

Phone: (737) 867-7812 or Email: CostInformationPFD@hhs.texas.gov

Adding Contacts or issues with your State of Texas Automated Information Reporting System (STAIRS) Login:
https://cr.fairbanksllc.com/fairbanksllc/pages/login.jsf

Fairbanks, LLC.

Phone: (877) 354-3831 or Email: info@fairbanksllc.com

January 2022
Texas Health and Human Services Commission

Table of Contents

Purpose 4
Who Must Complete this Report? 4
Cost Report Training 5
State of Texas Automated Information Reporting System (STAIRS) 6
Instructions for the Cost/Accountability Reports 7
COVID Related Information and Updates 7
COVID-19 Funding Questions 7
CARES ACT 7
CARES ACT - Provider Relief Funds 7
CARES ACT – Paycheck Protection Program 8
Temporary COVID-19 Add-On Rate Increases for Nursing Facilities and certain HCS Providers ..... **Error! Bookmark not defined.**
Rate Enhancement 9
Local Funds 9
Supporting Documentation 10
General 11
Due Date and Submission 11
Reporting Period 12
Website 12
Failure to File an Acceptable Cost Report 12
Extensions Granted Only for Good Cause 12
Standards for an Acceptable Cost Report 13
Return of Unacceptable Cost Reports 13
Amended Cost Reports 14
Accounting Methods 14
Cost Report Certification 15
Reporting Data/Statistics 15
Direct Costing 15
Split Payroll Periods 16
Cost Allocation Methods 16
Recordkeeping 18
Recordkeeping for Owners and Related Parties 18
Retention of Records 19
Failure to Maintain Records 19
Access to Records 19
Field Audits and Desk Reviews of Cost Reports 20
Notification of Exclusions and Adjustments 20
Informal Review of Exclusions and Adjustments 21
Common Cost Reporting Errors 22

Common Errors Regarding Unallowable Costs 23
Detailed Instructions 24
General System Navigation 24
User Interface and Dashboard 25
Step 1. Combined Entity Identification 27
Step 2. General Information 30
Step 3. Contract Management 33
Step 4. General Information 36
Step 5. Units of Service and Revenue 40
Step 6. Wages and Compensation 45
Step 7. Payroll Taxes and Workers' Compensation 63
Step 8. Facility and Operations Costs 67
Step 9. Preparer Verification Summary 97
Steps 10 and 11. Preparer Certification and Entity Contact Certification 98
Step 11. Entity Contact Certification 100
Step 12. Provider Adjustment Report 103
Step 13. Agree/Disagree 106
Step 14. HHSC Informal Review 109
Appendix A. Uploading Documents into STAIRS 111
Appendix B. Allocation Methodologies 112
Appendix C. Organizational Flowchart Example 123
Appendix D. List of Useful Lives for Depreciation 124
Appendix E. Self-Insurance 125
Appendix F. Importing Data Into STAIRS 127
Appendix G. Trial Balance 128
Definitions 130

Purpose

The purpose of a Medicaid Cost/Accountability Report is to gather financial and statistical information for Texas Health and Human Services Commission (HHSC) to use in developing reimbursement rates and other cost analyses. Some cost/accountability reports are also used in the determination of accountability under the Attendant Compensation Rate Enhancement program.

Who Must Complete this Report?

Any DAHS provider that is enrolled in Attendant Compensation Rate Enhancement Program as described in §355.112 during its fiscal year ending in 2021 is required to complete and submit a 2021 DAHS Cost Report. The only exception to this requirement is if the provider did not provide any billable attendant services to HHSC recipients during the reporting period.

Providers with more than one DAHS contract must file cost reports according to the assigned Cost Report Group.

A provider that is not enrolled in Attendant Compensation Rate Enhancement during the reporting period for the cost report in question must complete and submit a 2021 DAHS Cost Report for each DAHS contract unless excused from the requirement to submit a cost report based on meeting one or more of the following conditions:

- If the provider performed no billable services during the provider's cost-reporting period.
- If the cost-reporting period would be less than or equal to 30 calendar days or one entire calendar month.
- If circumstances beyond the provider's control, such as the loss of records due to natural disasters or removal of records from the provider's custody by a regulatory agency, make cost-report completion impossible.
- If all the contracts that the provider is required to include in the cost report have been terminated before the cost-report due date.
- If the total number of days that the provider performed service for HHSC recipients during the cost-reporting period is less than the total number of calendar days included in the cost-reporting period times 1.5.

Contact HHSC PFD Department at CostInformationPFD@hhs.texas.gov to determine if you qualify for an excusal.

Cost Report Training

All HHSC sponsored cost report training will be offered via webinar. Each webinar will include both the general and program-specific content for a program.

Upon completion of the appropriate webinar, preparers will be given the appropriate credit to be qualified to submit a cost report. Attendees of a Cost Report Training webinar will not receive a certificate as HHSC PFD will track training attendance internally. Additionally, there will be NO Continuing Education Units (CEUs) or Continuing Professional Education (CPEs) credits for completing a cost report training webinar.

In order to be able to submit a 2021 Cost Report, 2021 Accountability, and 2022 Accountability Report, a preparer must attend the 2021 Cost Report Training Webinar. Preparers without the proper training credit will not be able to access the STAIRS data entry application.

State of Texas Automated Information Reporting System (STAIRS)

STAIRS is the web-based system for long-term care HHSC Medicaid and STAR+PLUS, cost reporting in the State of Texas. The system is in use for all long-term services and supports programs that are required to submit cost reports: the 24-hour Residential Child Care (24RCC) program; the Intermediate Care Facility for Individuals with an Intellectual Disability or Related Condition (ICF/IID) program; the Home and Community-based Services (HCS) and Texas Home Living (TxHmL) waiver programs; the Nursing Facilities (NF), Primary Home Care (PHC) and Community Living Assistance and Support Services (CLASS) programs (including both CLASS Case Management Agency (CLASS CMA) and Class Direct Service Agency (CLASS DSA) providers) via the CPC (CLASS/PHC) Cost Report; the Day Activity and Health Services (DAHS) program; and the Residential Care (RC) program.

It is very important that the preparer read these instructions carefully.

Login IDs and passwords do not change year-to-year. The provider's designated Primary Entity Contact can access STAIRS via the links given in the email notifying them of their login ID and password. If the provider is new for 2021, the provider's Primary Entity Contact should receive an e-mail with their login information. If the provider's Primary Entity Contact has not received an e-mail with their login information, they need to contact CostInformationPFD@hhs.texas.gov. Preparers can only access STAIRS if they have been designated as the Preparer by the Primary Entity Contact and have received an e-mail notifying them of their login ID and password for STAIRS.

Instructions for the Cost/Accountability Reports

COVID Related Information and Updates

The Health and Human Services Commission (HHSC) Provider Finance Department (PFD) has developed the below information to provide guidance and address questions pertaining to the 2020 and 2021 Cost/2021 and 2022 Accountability Reports related to COVID-19. The following sections include guidance on COVID-19-related revenue providers may have received and instructs when to report or offset revenue against incurred expenses. Additionally, the Cost/Accountability Reports were updated to include questions designed to collect information on the initial impact of COVID-19 from providers. Those questions and instructions are below.

COVID-19 Funding Questions

CARES ACT

The Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed by Congress and signed into law by President Trump on March 27th, 2020. The CARES Act provides that "…these funds may not be used to reimburse expenses or losses that have been reimbursed from other sources or that other sources are obligated to reimburse…."[i] In this case, Medicaid is considered an "Other Source" that is obligated to reimburse the expense of providing Medicaid services.

Furthermore, Title 1 of the Texas Administrative Code (TAC) §355.103(b)(18)(B), provides, "Grants and contracts from federal, state or local government, such as transportation grants, United States Department of Agriculture grants, education grants, Housing and Urban Development grants, and Community Service Block Grants, should be offset, prior to reporting on the cost report, against the particular cost or group of costs for which the grant was intended...." For purposes of the Cost/Accountability reports, the CARES Act Provider Relief Funds, the Paycheck Protection Program (PPP) and portions of the Economic Injury Disaster Loans are considered grants to the extent the funds are forgiven under the terms of the loan programs and/or the terms and conditions of the funds received.

CARES ACT - Provider Relief Funds

Qualified providers of health care, services, and support may receive Provider Relief Fund payments for healthcare-related expenses or lost revenue due to COVID-19. These distributions do not need to be repaid to the US government, assuming providers comply with the terms and conditions.

For the Cost/Accountability Reports, providers and cost report preparers should offset any PRF recognized as revenue by the provider based on increased costs due to COVID-19 not reimbursed by another source against any cost or group of costs incurred to prepare for, prevent, or respond to coronavirus otherwise recorded on the provider unadjusted trial balance prior to reporting on the actual cost report. Providers can reflect the detail of this offset in the trial balance or allocation summary uploaded as supporting

documentation and report the final adjusted expenses on the cost or accountability report. An example may include, but are not limited to:

- A facility experiences an increase in expenses related to COVID-19 of $100,000. Assuming the $100,000 of additional COVID-19 related cost was paid for using PRF funds, the $100,000 would be offset against any expense incurred to prepare for, prevent, or respond to coronavirus prior to reporting on the cost report and can be reflected in the provider's trial balance or allocation summary.

PRF revenue recognized as a result of lost revenue should not reduce any expenses included on the unadjusted trial balance prior to those expenses being reported on the cost report because these lost revenue dollars are not associated with any specific expense. For Nursing Facility cost reports, this PRF revenue recognized as a result of lost revenue should instead be reported as "Gifts, Grants, Donations, Endowments and Trusts" on step 5 of the cost or accountability report as applicable and will have no impact on allowable expenses reported. For Community Care cost reports, this PRF revenue recognized as a result of lost revenue should instead be reported as "Grants and Contracts from Federal, State and Local Government Sources" on step 5 of the cost or accountability report as applicable and will have no impact on allowable expenses reported.

CARES ACT – Paycheck Protection Program

The Cares Act also established the Paycheck Protection Program (PPP). PPP funds are forgivable per the terms and conditions of the program.

For the Cost/Accountability Reports, providers and cost report preparers should offset an amount equal to any staff wages reimbursed by PPP against any otherwise incurred salary, during the cost reporting period, prior to reporting. An offset should also be made to any other non-payroll related expense for the portion of the PPP loan utilized for those non payroll items. Providers can reflect the detail of this offset in the trial balance or allocation summary uploaded as supporting documentation and report the final adjusted expenses on the cost or accountability report. An example may include, but is not limited to:

- A facility received a PPP loan in the amount of $10,000 and met the requirements for forgiveness prior to their fiscal year end. Assuming 60% of the loan amount was used for payroll related costs and 40% was used for non-payroll costs, an offset of $6,000 would occur against any department(s) otherwise incurred payroll related expenses and $4,000 would be offset against any non-payroll related expenses on the unadjusted trial balance prior to reporting the net wages on the cost or accountability report.

Rate Enhancement

Providers enrolled in the Attendant Compensation/Direct Care Compensation Rate Enhancement program receive additional funds to provide increased wages and benefits for attendants or direct care staff and must demonstrate compliance with enhanced staffing or spending requirements. Spending requirements related to rate enhancement are only applicable to paid units reported on the cost/accountability reports. TAC §§355.308(j) and 355.112(s) outlines the determination of staffing requirements for rate enhancement participants. As it relates to staffing, which is based on direct care hours, the offset of PRF and PPP revenues described above should not impact the hours reported for any department on the cost or accountability report. While the offset of some of the PRF and PPP revenues could reduce certain salaries reported on the cost report the number of hours reported should agree to the actual hours related to the unadjusted salaries because even if the salary was paid for using PRF or PPP dollars the actual hours incurred did not change and should not be reduced on the cost or accountability report. In these instances, the provider may be required to provide an explanation and should reference the PRF or PPP offset.

Local Funds

Pursuant to TAC §355.103(b)(18)(B), "Grants and contracts from federal, state or local government, such as transportation grants, United States Department of Agriculture grants, education grants, Housing and Urban Development grants, and Community Service Block Grants, should be offset, prior to reporting on the cost report, against the particular cost or group of costs for which the grant was intended....". If you have any questions about the treatment of local funds for purposes of the cost report, please contact the LTSS Center for Information and Training at PFD-LTSS@hhs.texas.gov.

Supporting Documentation

As in prior years, providers may be required to submit support documenting (e.g., trial balances, allocation summary, etc.) to support the information reported in their Cost/Accountability Report.

The state acknowledges providers may be required to submit reports to local or federal jurisdictions based on funds received (e.g. PRF, etc.) Do not provide the State with a copy of these reports and/or any applicable support documentation for these reports.

1 CARES Act, H.R. 748, 116th Cong.

General

This cost report is governed by the following rules and instructions.

- Cost Determination Process Rules at Title 1 of the Texas Administrative Code (TAC) §§355.101-355.112;
- DAHS program-specific rules at *1 TAC §355.6907*;
- The *Instructions* for completion of the report;
- The 2021 general and program-specific Cost Report training materials.

As stated in 1 TAC §355.105(b)(1), federal tax laws and Internal Revenue Service (IRS) regulations do not necessarily apply in the preparation of Texas Medicaid Cost Reports. Except as otherwise specified in HHSC's Cost Determination Process Rules, cost reports should be prepared consistent with generally accepted accounting principles (GAAP). Where the Cost Determination Process Rules and/or program-specific rules conflict with IRS, GAAP or other authorities, the Cost Determination Process Rules and program-specific rules take precedence.

In order to properly complete this cost report, the preparer must:

- Read these instructions;
- Review the provider's most recently reviewed cost report and adjustment information. The most recently received adjustments are likely those for the 2019 Cost Report (if adjustment information has not been received, please email Cost InformationPFD@hhs.texas.gov;
- First time preparers must attend an Initial Cost Report Training Webinar session and receive credit for the 2021 Cost Report Training sponsored by HHSC. Preparers without the proper credit will not be able to access the STAIRS data entry application;
- Create a comprehensive reconciliation worksheet to serve as a crosswalk between the facility/contracted provider's accounting records and the cost report; and
- Create worksheets to explain adjustments to year-end balances due to the application of Medicaid cost reporting rules and instructions.

Due Date and Submission

The cost report is due to HHSC PFD on or before **April 30, 2022.**

All attachments as well as signed and notarized certification pages must be uploaded into STAIRS.

Reports will not be considered "received" until the online report has been finalized and all required supporting documents uploaded. See *Appendix A. Uploading Documents into STAIRS*. Documentation mailed rather than uploaded into the system will not be accepted.
1 TAC §355.105(c)

Reporting Period

The reporting period is generally the period during the contracted provider's 2021 fiscal year during which its contract was in effect. The reporting period must not exceed twelve months. The beginning and ending dates are pre-populated. If provider believes the pre-populated dates are incorrect, it is extremely important, please email costinformationpfd@hhs.texas.gov before continuing with cost report preparation. Refer to the *Instructions,* **Step 2** for additional assistance.

Website

The HHSC Provider Finance website contains program specific cost report instructions, cost report training information and materials, and payment rates. Additional information and features are added periodically. We encourage you to visit our website at the following link: https://pfd.hhs.texas.gov/long-term-services-supports

Failure to File an Acceptable Cost Report

Failure to file a cost report completed in accordance with instructions and rules by the cost report due date constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in §355.111.

1 TAC §355.105(b)(4)(C)(ii)

Extensions Granted Only for Good Cause

Extensions of cost report due dates are limited to those requested for good cause. Good cause refers to extreme circumstances that are beyond the control of the contracted provider and for which adequate planning and organization would not have been of any assistance. HHSC PFD must receive requests for extensions prior to the due date of the cost report. The extension request must be sent to: costinformationpfd@hhs.texas.gov by the provider (owner or authorized signor). The extension request must clearly explain the necessity for the extension and specify the extension due date being requested. Failure to file an acceptable cost report by the original cost report due date because of the denial of a due date extension request constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in §355.111.

1 TAC §355.105(c)(3)

Standards for an Acceptable Cost Report

To be acceptable, a cost report must:

- Be completed in accordance with the Cost Determination Process Rules, program-specific rules, cost report instructions, and policy clarifications;
- Be completed for the correct cost-reporting period (Note that the cost reporting period has been prepopulated. See **Step 4.** If provider believes that the dates are incorrect, contact HHSC PFD at costinformationpfd@hhs.texas.gov for assistance);
- Be completed using an accrual method of accounting (except for governmental entities required to operate on a cash basis);
- Be submitted online as a 2021 Cost Report for the correct program through STAIRS;
- Include any necessary supporting documentation, as required, uploaded into STAIRS;
- Include signed, notarized, original certification pages (Cost Report Certification and Methodology Certification) scanned and uploaded into STAIRS
- There is another Option to submit the certification pages with a Digital Signature. Instructions which can be found on the DAHS web page under the type of report is due; contained within PFD Long Term Services and Supports home page
- Calculate all allocation percentages to at least two decimal places (i.e., 25.75%);
- If allocated costs are reported, include acceptable allocation summaries, uploaded into STAIRS.
- Have uploaded in STAIRS a detailed asset listing / depreciation schedule if the summary method of reporting was used in **Step 8.e**.
- Have uploaded in STAIRS a workpaper supporting related party building rent / lease if the summary method of reporting was used in **Step 8.e**.

Return of Unacceptable Cost Reports

Failure to complete cost reports according to instructions and rules constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in §355.111. Cost reports that are not completed in accordance with applicable rules and instructions will be returned for correction and resubmission. The return of the cost report will consist of un-certifying the file originally submitted via STAIRS which will re-open the cost report to allow additional work and resubmission by the contracted provider. Notification of the return will be sent via e-mail and certified mail. HHSC grants the provider a compliance period of no more than 15 calendar days to correct the contract violation. Failure to resubmit an **acceptable** corrected cost report as well as new certification pages by the due date indicated in the return notification will result in recommendation of a vendor hold.

1 TAC §355.106(a)(2)

Amended Cost Reports

An interested party legally responsible for conduct of the contracted provider may initiate an amendment no later than 60 days after the original due date. Provider-initiated amendment requests can be sent to: CostInformationPFD@hhs.texas.gov.
A request received that is not signed by an individual legally responsible for the conduct of the contracted provider, or received after the 60th day, will not be accepted. Failure to submit the requested amendment to the cost report by the due date is considered a failure to complete a cost report.
1 TAC §355.105(d)(1)(A)

Accounting Methods

All revenues, expenses, and statistical information submitted on cost reports must be based upon an accrual method of accounting except where otherwise specified in the Cost Determination Process Rules or program-specific reimbursement methodology rules. Governmental entities may report on a cash basis or modified accrual basis. To be allowable on the cost report, costs must have been accrued during the cost reporting period and paid within 180 days of the end of the cost reporting period unless the provider is under bankruptcy protection and has received a written waiver of the 180-day rule from HHSC PFD.
1 TAC §355.105(b)(1)

Cost Report Certification

Contracted providers must certify the accuracy of the cost report submitted to HHSC. Contracted providers may be liable for civil and/or criminal penalties if the cost report is not completed according to HHSC requirements or if the information is misrepresented and/or falsified. Before signing the certification pages, carefully read the certification statements to ensure that the signers have complied with the cost-reporting requirements. The Methodology Certification page advises preparers that they may lose the authority to prepare future cost reports if cost reports are not prepared in accordance with all applicable rules, instructions, and training materials. The contracted provider must review all reported data as well as the Methodology Certification, therefore the Entity Certification page may not be signed prior to the Methodology Certification page.

Reporting Data/Statistics

Statistical data such as "Hours" must be reported to two decimal places. Please note that the two decimal places are NOT the same as the minutes but are stated as the percent of an hour. For example, when reporting the hours for Registered Nurses (RN), 150 hours and 30 minutes would be reported as 150.50 hours and 150 hours and 20 minutes would be reported as 150.33 hours.

Direct Costing

Direct costing must be used whenever reasonably possible. Direct costing means that costs incurred for the benefit of, or directly attributable to, a specific business component must be charged directly to that business component.

Certain costs are required to be direct-costed including: medical/health/dental insurance premiums, life insurance premiums, other employee benefits (such as employer-paid disability premiums, employer-paid retirement/pension plan contributions, employer-paid deferred compensation contributions, employer-paid child day care, and accrued leave), attendant care staff salaries and wages and attendant contract labor compensation (see ***Definitions,*** *Attendant Care for Community* for detailed instructions on the reporting of attendant care staff time, salaries and wages.

For all attendant care and, for nursing facilities, direct care costs, the provider must have documentation that demonstrates the reported costs directly benefited only the program and contracts for which the cost report is being completed. Daily timesheets documenting time are required for all attendant salaries directly charged to the cost report. If the employee only works for the provider in one program and one position type, the daily timesheet must document the start time, the end time and the total time worked. If the attendant works in different programs or in more than one position type (such as habilitation attendant and file clerk), there must be daily timesheets to document the actual time spent working for each provider, program or position type so that costs associated with that employee can be properly direct costed to the appropriate cost area.

Split Payroll Periods

If a payroll period is split such that part of the payroll period falls within the cost reporting period and part of the payroll period does not fall within the cost reporting period, the provider has the option of direct costing or allocating the hours and salaries associated with the split payroll period.

For example, if the payroll period covered two weeks, with 6 days included in the cost-reporting period and 8 days not included in the cost-reporting period, the provider could either review their payroll information to properly direct cost the paid hours and salaries for only the 6 days included in the cost-reporting period or the provider could allocate 6/14th of the payroll period's hours and salaries to the cost report. The method chosen must be consistently applied each cost-reporting period. Any change in the method of allocation used from one reporting period to the next must be fully disclosed as per 1 TAC §355.102(j)(1)(D).

Cost Allocation Methods

Whenever direct costing of shared costs is not reasonable, it is necessary to allocate these costs either individually or as a pool of costs across those business components sharing in the benefits of the shared costs. The allocation method must be a reasonable reflection of the actual business operations of the provider. Contracted providers must use reasonable and acceptable methods of allocation and must be consistent in their use of allocation methods for cost-reporting purposes across all program areas and business components. Allocated costs are adjusted during the review verification process if the allocation method is unreasonable, is not one of the acceptable methods enumerated in the Cost Determination Process Rules or has not been approved in writing by HHSC PFD. An indirect allocation method approved by another department, program, or governmental entity (including Medicare, other federal funding source or state agency) is not automatically approved by HHSC for cost-reporting purposes. See ***Appendix B*** for details on the types of approved allocation methodologies, when each can be used and when, and how to contact HHSC for approval to use an alternate method of allocation other than those approved.

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. The allocation method(s) used must be disclosed as the allocated costs are entered into STAIRS and an allocation summary must be prepared and uploaded to support each allocation calculation.

An adequate allocation summary must include for each allocation calculation: a description of the numerator and denominator that is clear and understandable in words and in numbers, the resulting percentage to at least two decimal places, a listing of the various cost categories to be allocated, 100% of the provider's expenses by cost category, the application of the allocation percentage to each shared cost, the resulting allocated amount, and the cost report item on which each allocated amount is reported. The description of the numerator and denominator should document the various cost components of each.

For example, the "salaries" allocation method includes salaries/wages and contracted labor (excluding consultants). Therefore, the description of the numerator and the denominator needs to document that both salaries/wages and contracted labor costs were included in the allocation calculations. For the "labor cost" allocation method, the cost report preparer needs to provide documentation that salaries/wages, payroll taxes, employee benefits, workers' compensation costs, and contracted labor (excluding consultants) were included in the allocation calculations. For the "cost-to-cost" allocation method, the cost report preparer needs to provide documentation that all allowable facility and operating costs were included in the allocation calculations. For the "total-cost-less-facility-cost" allocation method, the cost report preparer needs to provide documentation that all facility costs were excluded.

Any allocation method used for cost-reporting purposes must be consistently applied across all contracted programs and business entities in which the contracted provider has an interest (i.e., the entire related organization). If the provider used different allocation methods for reporting to other funding agencies (e.g., USDA, Medicare, HUD), the cost report preparer must provide reconciliation worksheets to HHSC upon request. These reconciliation worksheets must show: 1) that costs have not been charged to more than one funding source; 2) how specific cost categories have been reported differently to each funding source and the reason(s) for such reporting differences; and 3) that the total amount of costs (allowable and unallowable) used for reporting is the same for each report.

Any change in allocation methods for the current year from that used in the previous year must be disclosed on the cost report and accompanied by a written explanation of the reasons for the change. Allocation methods based upon revenue or revenue streams are not acceptable.

A provider may have many costs shared between business components. For example, a provider that also provides Medicare Home Health, Medicaid Home Health, private pay services and operates a durable medical equipment company might have shared attendant staff, shared nursing staff, shared clerical staff, shared administration costs, and other shared costs. Guidelines for allocation of various expenses will be provided in each Step of the *Specific Instructions* as appropriate.

1 TAC §355.102(j) and §355.105(b)(2)(B)(v)

Recordkeeping

Providers must maintain records that are accurate and sufficiently detailed to support the legal, financial, and statistical information contained in the cost report. These records must demonstrate the necessity, reasonableness, and relationship of the costs to the provision of resident care, or the relationship of the central office to the individual provider. These records include, but are not limited to, accounting ledgers, journals, invoices, purchase orders, vouchers, canceled checks, timecards, payrolls, mileage and flight logs, loan documents, insurance policies, asset records, inventory records, facility lease, organization charts, time studies, functional job descriptions, work papers used in the preparation of the cost report, trial balances, cost allocation spreadsheets, and minutes of meetings of the board of directors. Adequate documentation for seminars/conferences includes a program brochure describing the seminar or a conference program with a description of the workshop attended. The documentation must provide a description clearly demonstrating that the seminar or workshop provided training pertaining to contracted-care-related services or quality assurance.
1 TAC §355.105(b)(2)(A) and §355.105(b)(2)(B)

Recordkeeping for Owners and Related Parties

Regarding compensation of owners and related parties, providers must maintain the following documentation, at a minimum, for each owner or related party:

- A detailed written description of actual duties, functions, and responsibilities;
- Documentation substantiating that the services performed are not duplicative of services performed by other employees;
- Timesheets or other documentation verifying the hours and days worked; *(NOTE: this does not mean number of hours, but actual hours of the day);*
- The amount of total compensation paid for these duties, with a breakdown of regular salary, overtime, bonuses, benefits, and other payments;
- Documentation of regular, periodic payments and/or accruals of the compensation;
- Documentation that the compensation was subject to payroll or self-employment taxes; and
- A detailed allocation worksheet indicating how the total compensation was allocated across business components receiving the benefit of these duties.

1 TAC §355.105(b)(2)(B)(xi)

Retention of Records

Each provider must maintain records according to the requirements stated in 40 TAC §49.307 (relating to how long contractors, subrecipients, and subcontractors must keep contract-related records).

- The rule states that records must be kept for a minimum of seven years after all issues that arise from any litigation, claim, negotiation, audit, open records request, administrative review, or other action involving the records are resolved.

If a contractor is terminating business operations, the contractor must ensure that:

- Records are stored and accessible; and
- Someone is responsible for adequately maintaining the records.

1 TAC §355.105(b)(2)(A)

Failure to Maintain Records

Failure to maintain all work papers and any other records that support the information submitted on the cost report relating to all revenue, expense, allocations and statistical information constitutes an administrative contract violation. Procedural guidelines and informal reconsideration and/or appeal processes are specified in §355.111 of this title (relating to Administrative Contract Violations).

1 TAC §355.105(b)(2)(A)(iv)

Access to Records

Each provider or its designated agent(s) must allow access to all records necessary to verify information submitted on the cost report. This requirement includes records pertaining to related-party transactions and other business activities in which the contracted provider is engaged. Failure to allow access to all records necessary to verify information submitted to HHSC on cost reports constitutes an administrative contract violation.

1 TAC §355.106(f)(2)

Field Audits and Desk Reviews of Cost Reports

Each Medicaid cost report is subject to either a field audit or a desk review by HHSC Cost Report Review Unit (CRRU) staff.

The basic objective of audits and desk reviews is to verify that each provider's cost report:

- Displays financial and other statistical information in the format required by HHSC;
- Reports expenses in conformity with HHSC's lists of allowable and unallowable costs;
- Follows generally accepted accounting principles, except as otherwise specified in HHSC's lists of allowable and unallowable costs, and other pertinent rules or as otherwise permitted in the case of governmental entities operating on a cash or modified accrual basis; and
- Is completed in accordance with each program's cost report instructions and rules.

Field audits are conducted in a manner consistent with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the U.S. Government Accountability Office.

During a field audit or a desk review, the provider must furnish any reasonable documentation requested by HHSC within ten (10) working days of the request or a later date as specified by the HHSC. If the provider does not present the requested material within the specified time, the audit or desk review is closed, and HHSC automatically disallows the costs in question, pursuant to 1 TAC §355.105(b)(2)(B)(xviii).

1 TAC §355.105(f) and §355.106

For desk reviews and field audits where the relevant records are located outside the state of Texas, the provider’s financial records must be made available to HHSC within fifteen (15) working days of field audit or desk review notification. Whenever possible, the provider's records should be made available within Texas. When records are not available within Texas, the provider must pay the actual costs for HHSC staff to travel to and review the records located out of state. HHSC must be reimbursed for these costs within 60 days of the request for payment in accordance with 1 TAC §355.105(f).

Notification of Exclusions and Adjustments

HHSC notifies the provider by e-mail of any exclusions and/or adjustments to items on the cost report. See **Step 12** and **Step 13.** Cost Report Review Unit (CRRU) furnishes providers with written reports of the results of field audits.

1 TAC §355.107

Informal Review of Exclusions and Adjustments

A provider who disagrees with HHSC's adjustments has a right to request an informal review of the adjustments. Requests for informal reviews must be received by HHSC PFD within 30 days of the date on the written notification of adjustments, must be signed by an individual legally responsible for the conduct of the interested party and must include a concise statement of the specific actions or determinations the provider disputes, the provider's recommended resolution, and any supporting documentation the provider deems relevant to the dispute. Failure to meet these requirements may result in the request for informal review being denied.

1 TAC §355.110

Common Cost Reporting Errors

The following is a list of some of the more common errors found on cost reports. These errors, as well as others, can be avoided by carefully following the cost report instructions and rules concerning allowable and unallowable expenses.

1. Cost reports are submitted on a cash basis rather than on an accrual basis of accounting for providers who are not governmental entities.
2. Costs that should be reported separately are combined; for example, the costs incurred for building, vehicle, and general liability insurance are incorrectly all reported in the same item.
3. Incorrect related-party staff/contractor information and failure to include an organization chart that clearly identifies each owner-employee, other related-party employee or related-party contractor, along with each business entity/component. **Reference Appendix C**.
4. Costs are misclassified; for example, the lease expense for a photocopier is incorrectly included in **Step 8.f.** Operations Supplies line instead of being correctly reported in the Rent/Lease – Departmental Equipment/Other line.
5. Hours and expenses reported in the incorrect staff-type line items.
6. Costs for land are incorrectly included in building historical costs for depreciation purposes.
7. Administrative costs shared by several contracts or business components are reported as Program Administration and Operations Expense rather than Central Office expense.
8. Detailed asset listing / depreciation schedule was not uploaded, and the summary method of reporting was used in **Step 8.e**.
9. 10% salvage value for building was not removed in calculating depreciation costs; summary method of reporting was used in **Step 8.e**.
10. Vehicle depreciable value was not limited for luxury vehicles.
11. Contract labor costs were not included when calculating allocation percentages using the salaries and labor methods.

Common Errors Regarding Unallowable Costs

1. Expenses are incorrectly reported for activities that are not related to contracted services.
2. Incorrect reporting of personal expenses for items such as personal lunches, personal use of a company vehicle or cellular phone and personal travel expenses not related to employee business travel.
3. Salaries or expenses incorrectly reported for relatives or owners who do not actually work for, or perform services for, the contract.
4. Unallowable promotional advertising incorrectly included in reported advertising costs as an allowable cost.
5. Erroneous reporting as allowable costs those unallowable dues or membership fees to organizations whose primary emphasis is not related to contracted services, for example, Chamber of Commerce, the Lions Club or Veterans of Foreign War (VFW) organizations.
6. Incorrect reporting (with allowable expenses) of unallowable penalties or fines (such as non-sufficient funds (NSF) fees or late payment penalties).
7. Incorrectly expensing bad debts as "Other" costs.
8. Incorrect reporting of payroll taxes. For example, incorrectly reporting FICA/Medicare taxes at greater than 7.65% of the total reported salaries (excluding central office salaries).
9. Erroneously expensing capital expenditures (rather than properly depreciating them) for items such as roofs, air-conditioning systems, vehicles, sidewalks, and paving of the parking lot.
10. Failure to disclose related-party transactions, such as the lease of a building or vehicles.
11. Misstatement of allocated costs because the allocation method used was inappropriate (e.g., based on revenue) or based on unreasonable criteria (e.g., administration salary allocations based on square footage).
12. Overstatement of depreciation costs because land cost was incorrectly included with historical cost of building.
13. Overstatement of building depreciation expense because 10% salvage value was not removed.
14. Overstatement of transportation equipment depreciation expense because depreciable value of luxury vehicle was not limited.

    •

Detailed Instructions

General System Navigation

Add Record: Used to add lines to the current category. It may be used to add an initial entry to the category or to add Allocation detail to an initial entry. If more lines are needed than initially appear, enter the information for the initially appearing lines, Save, and click Add Record again for more lines.

Edit Record: Click the button beside the record to be edited before clicking this box. This will allow the user to change data previously added to this record.

Delete Record: Click the button beside the record to be deleted before clicking this box. This will delete the selected record.

Save: Used to save the current data. This will save the information in the current location and allow additional Add, Edit or Delete actions.

Save and Return: This saves the current data and returns to the prior level web pageweb page

Cancel: Cancels all unsaved information on the current web pageweb page and returns user to the prior level web pageweb page.

Stop Signs: A stop sign appears when an action needs to be taken by the preparer in order to either continue or before finalizing the accountability report. They inform the preparer that an action must be taken prior to being able to "Save" information in the current web pageweb page, that an edit must be responded to before the report can be finalized, or that a required piece of information is needed on the current web pageweb page.

User Interface and Dashboard

The initial web page a STAIRS user will see upon logging into the system is the Dashboard. From there the user can see and edit their personal contact information to include e-mail, address, and telephone and fax numbers. Important information messages, listings of important dates, and upcoming training opportunities are included on the Dashboard page. Training registration can be accessed from this page.

By clicking on "Manage" to the right on the top bar, the user can, depending on his or her permissions, add a contact, attach a person to a role or assign a preparer. This is also where contact information is kept updated. It is imperative to maintain correct / current contact information in order to receive necessary automated messages and deadlines regarding reports/contracts.

The document titled "Managing Contacts Processing Procedures" gives detailed instructions for managing contacts, including understanding roles and what can be done within the system by persons assigned to the various roles. This document is located in the Reference Materials section located at the bottom of all STAIRS pages.

The Upload Center is also located under "Manage".

Once the user is in the system, they can click on "Cost Reporting" on the top bar. If the user has access permission for only a single cost report group, for example Cost Report Group 001 for two DAHS contracts, then there will only be one option to click on the initial Cost Reporting page.

For Cost Reports Only - If the user has access permission for more than one cost report group, for example Cost Report Group 002 for one DAHS contract and Component Code 8zz for HCS/TxHmL, then the user will need to choose the component code and report in which the user wishes to work.

For Accountability Reports - You can only have one program type per combined entity.

Example: If a provider has a DAHS and CLASS contract for cost reporting they will be in one combined entity. For accountability reporting they will have two separate entities.

Step 1. Combined Entity Identification

Purpose

The purpose of this section is to gather contact information so that HHSC PFD can contact provider/preparer/etc. during the review of the cost report. It is important to verify that all contact information is correct to ensure that provider receives all review correspondence. Step 1 fields will either be auto populated for subsequent reports (from the prior entities' cost/accountability report) or blank (if this is the first report for an entity).

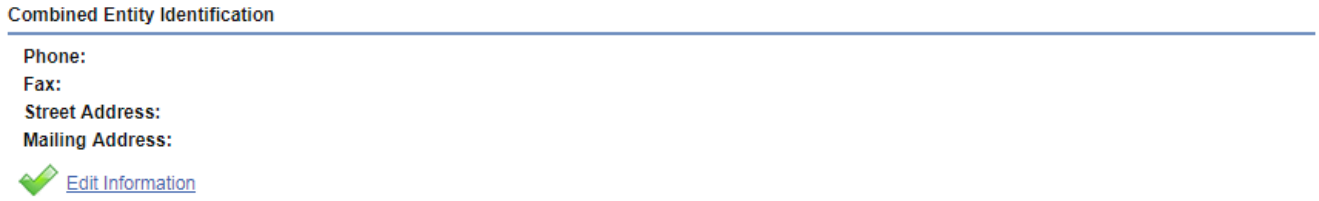
How HHSC PFD uses the information?

This information is used by the HHSC PFD to obtain information and documentation needed to address issues found in the cost report review. We contact preparers and providers on a regular basis.

In order to receive notices for report deadlines, notices of reports not received by the deadline including vendor hold warnings and notices, notification to providers of adjustments made to their report since certification and recoupments. Please ensure your email address is correct in the Edit My Info link found when first logging into STAIRS on the Dashboard.

It is vital the preparer and certifier reviews, updates/enters and verifies the current information for the applicable contacts, as defined below, to ensure timely notifications.

Combined Entity Identification



The combined entity identification is 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.

….. In this section the provider may update the information for the combined entity. If this is a single provider entity with no combined entities, this will be the information for the contracted provider as well.

Entity Contact Identification

Entity Contact Identification

Name:
Job Title:
Entity Name:
Email:
Phone:
Fax:
Mailing Address:

Edit Information

The contact person must be an employee of the controlling entity, parent company, sole member, governmental body, or related-party management company (i.e., the entire related organization) that is legally authorized signatory or designee to be contacted concerning information reported on the cost report. The contact person should be able to answer questions about the contents of the provider's cost report.

In this section, the provider may update the information on the contact person.

Financial Contact Identification

Financial Contact

Name:
Job Title:
Entity Name:
Email:
Phone:
Fax:
Mailing Address:

Edit Information

The Financial Contact is a person who can review the accountability report but may not make entries into the system. The Financial Contact must be an employee of the controlling entity, parent company, sole member, governmental body, or related-party management company, an external contracted preparer may not be listed as a provider's Financial Contact.

A primary contact may designate a Financial Contact.

Report Preparer Identification

Report Preparer Identification

Name:
Job Title:
Entity Name:
Email:
Phone:
Fax:
Mailing Address:

Edit Information

Cost and/or Accountability report preparer is the person who prepares the cost report. He or she may be employees of the provider or persons who have been contracted by the provider for the purpose of cost and/or accountability report preparation. A contracted preparer may not be listed as either primary Entity or primary Financial contacts.

In accordance with 1 TAC §355.102(d), it is the responsibility of each provider to ensure that each cost report preparer who signs the Cost Report Methodology Certification completes the required HHSC-sponsored cost report training. STAIRS will identify whether the person designated as a preparer has completed the required training.

Preparers must complete cost report training for every program for which a cost report is submitted. Only a preparer who has received credit for the program-specific cost report training will be able to complete a cost report in STAIRS. A list of preparers who have completed the training may be accessed through the HHSC PFD website.

Location of Accounting Records that Support this Report

Location of Accounting Records that Support this Report

Primary Physical Address:

Edit Information

Enter the address where the provider's accounting records and supporting documentation used to prepare the cost report are maintained. This should be the address at which a field audit of these records can be conducted. These records do not refer solely to the work papers used by the provider’s CPA or other outside cost report preparer. All working papers used in the preparation of the cost report must be maintained in accordance with 1 TAC 355.105(b)(2) (ii). (See also the Recordkeeping section of the General Instructions.)

Step 2. General Information

Purpose

The purpose of step to is to give general information, including the Combined Entity's reporting period and to determine if the Combined Entity wants to aggregate reporting expenses used to determine compliance in the Rate Enhancement program.

How HHSC PFD uses the information?

If the provider chooses to aggregate their contracts by the program that participates in the Attendant Compensation Rate Enhancement program, then HHSC PFD will use combined expenses to determine compliance with spending requirements.

What does it mean to aggregate your reports?

Aggregate - For a combined entity that controls two or more commonly owned contracts in a program to determine compliance with the spending requirement.

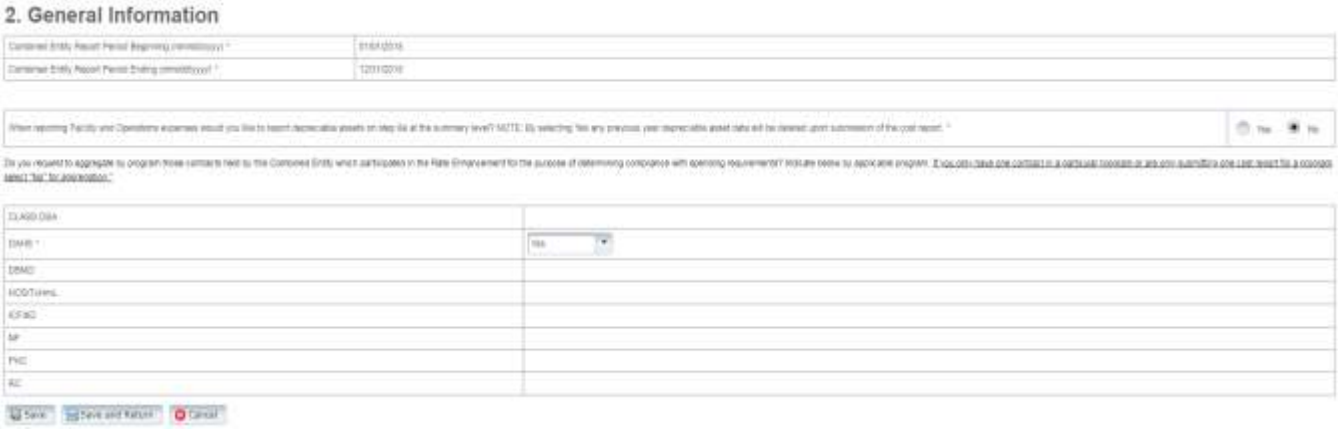
If your aggregating reports' expenses

When we combine expense from multiple reports of the same program for determining the combined entity's compliance in the rate enhancement program.

How do you know if you should aggregate?

- You must have two or more reports in the same cost reporting entity.
- You must have two or more contracts in the same program.
- All contracts within the same entity and program are participants in rate enhancement.
- Contracts that are terminating are not eligible for aggregation.

How to complete Step 2



Combined Entity Reporting Period Beginning and Ending Dates
These dates represent the beginning and ending dates for the entire combined entity's reporting period.

If this is a single provider entity with no combined entities, the information for the contracted provider will be used as that of the combined entity. For a combined entity that submitted a cost report in a prior year, these dates will be based on the dates from the prior cost report. For a combined entity that is reporting for the first time this year, the dates are based on the contract beginning date and the assumption that the provider is on a calendar fiscal year, so has an ending date of 12/31 of the cost report year. If these dates are not correct, contact HHSC PFD at costinformationPFD@hhs.texas.gov for assistance. Failure to assure that the reporting period is correctly identified will result in the cost report being returned and all work previously done on the report being deleted from the system.

This reporting period should include the earliest date the combined entity had a contract with HHSC during the entity's fiscal year ending in 2021 and run through the earlier of the end of the combined entity's 2021 fiscal year or the last date on which the combined entity held a contract with HHSC. This date span must match HHSC records regarding the effective dates of the combined entity's current contract(s). If there is a discrepancy, the cost report will be rejected as unacceptable and returned for proper completion.

To change the provider's corporate fiscal year for cost-reporting purposes, the provider must send written notification to HHSC PFD. The notification should include the name of each affected contracted provider, all 3-digit Cost Report Group Codes, and all 9-digit contract numbers. The notification should also include documentation from the IRS approving the change. The provider must state the effective date of the change and the previous corporate fiscal year. HHSC PFD will notify the provider in writing how to handle each month for cost-reporting purposes, since no cost report can cover more than 12 months. If the provider faxes the notification, it must be followed with an original in the mail. For contracting purposes, HHSC Provider Enrollment must be notified on the appropriate forms.

When reporting Facility and Operations expenses would you like to report depreciable assets on Step 8.e. at the summary level? (only applicable to Cost Report)
Regarding the reporting of depreciable assets; providers (except for the 24-Hour Residential Child Care program) have the option of:

- Data entering each individual, capital asset in **Step 8.e.** and allowing the system to determine the amount of straight-line depreciation applicable to the cost report;

OR

- Reporting the depreciation expense per category at the summary level in Step 8.e.

Note:
Entities that include one or more 24-Hour Residential Child Care (24RCC) Cost Report(s) will not be allowed to report depreciation expenses at the summary level in the 24RCC Cost Report due to federal Title IV-E requirements. They will be required to data enter each individual, capital asset in **Step 8.e.** for their 24RCC Cost Report(s).

If a provider chooses to data enter each of their individual, capital assets in **Step 8.e.** in their 2021 Cost Report, the depreciable asset information will automatically populate from year to year after the initial entry. If a provider later chooses to enter depreciation at the summary level on subsequent cost reports, any previously entered depreciable asset data will be deleted upon submission of their cost report.

Do you request to aggregate by program those contracts held by this Combined Entity that participate in the Rate Enhancement program for the purpose of determining compliance with spending requirements?

If an entity operates two or more contracts that participate in the Attendant Compensation Rate Enhancement program, they may choose to have this group of contracts by program reviewed in the aggregate for the purposes of determining compliance with spending requirements.

If you only have one contract in a program or are only submitting one cost report for a program, then select "No".

Step 3. Contract Management

Purpose

The purpose of this step is to collect information about the combined entity's business components.

Step 3.a. details the combined entity's Medicaid fee-for-service contracts or STAR+PLUS contracts.

Step 3.b. details the combined entity's other contracts with the state of Texas, excluding contracts in Step 3. a.

Step 3.c. details all other business components or contracts not listed in Steps 3.a. or 3.b.

How HHSC PFD uses the information

HHSC PFD uses the information in Step 3 during the Cost or Accountability report examination process. Financial examiners will ensure that only your expenses associated with the component under the appropriate Medicaid contract are reported on your Cost or Accountability Report.

How to complete Step 3

Step 3.a. Verify Contracts for Requested Reports

This list carries over from year to year. It is a list of all fee-for-service contracts or STAR+PLUS contracts operated by the provider's combined entity grouped by Cost Report Group Codes. For each cost report group, the preparer must indicate in the left-most column whether the component code or all contracts in the Cost Report Group were active during the entire cost report period. If the answer to this question for a specific component code/contract is "No", then an explanation must be entered in the Note column. (Not Applicable to Accountability Reports).

Accountability Reports will have one combined entity per program type. For example, a provider that has an ICF/IID contract will have two separate combined entities with two separate reports. Therefore, they will only show This reports in Section 3a in the accountably report and only ICF/IID reports in Section 3a in the ICF/IID accountability report.

If the preparer believes that one or more additional contracts should be added to the prepopulated list or that a component code/contract included in the prepopulated list should be deleted, contact HHSC PFD at costinformationPFD@hhs.texas.gov for assistance. Providers cannot add to or delete from this list independently. Failure to correctly verify this list may result in all STAIRS cost reports for the combined entity being returned as unacceptable.

Step 3.b. Enter Other Business Components

(Other Contracts, Grants or Business Relationships with the State of Texas or any other entity, or other funding sources)

This is a list of all Texas and out-of-state business relationships in which the combined entity is involved not already listed in **Step 3.a.** and must include all other contracts (i.e.: Medicare, CACFP, Hospice, Veterans Administration, and StarKids, etc.).

STAR+PLUS contracts are not to be listed in Step 3b. If all of your STAR+PLUS contracts were not already listed in Step 3a, do not add them here on Step 3b but instead contact HHSC immediately at costinformationpfd@hhs.texas.gov us so HHSC can add them to Step 3a.

For each contract, grant or business, the preparer must indicate in the left-most column whether the contract, grant or business was active during the entire cost or accountability report period. If the answer to this question for a specific contract, grant or business relationship is "No", then an explanation must be entered in the Note column.

A preparer can add, edit or delete items from this list. Clicking Add will lead to the Add Contracts web pageweb pageweb page where all the necessary information can be added. See graphic below. Any changes to this list will trigger changes to the cost report(s) for any other component code(s) controlled by the provider's combined entity. If another preparer has verified steps involving allocation, then completed steps will need to be verified again. The other preparer will need to address those steps again prior to completing those reports.

Note: Do not add contracts in **Step 3.b.** that are already listed in **Step 3.a.**

Information necessary to add an additional contract includes

A. Was the contract active during the entire cost report period? – If "No" is chosen, provider will be required to enter an explanation in the Notes section.

B. Contract Type – The contract type will drive available options in Service Type below. Contracts which are neither state nor Medicare, such as contracts with related durable medical equipment entities, will be designated as "Other".
C. Service Type – The service type menu is driven by the Contract Type above. If the service type is not listed, the preparer should choose "Other". If the preparer chooses "Other", a box will appear for entry of the type of other contract, such as durable medical equipment contract.
D. Contract # / Provider Identification – The contract number or other identifying information regarding the contract. For contracts that don't have state or federal contracting numbers, this may be the legal name of the related organization with which the provider is contracting.

To Edit or Delete a contract, select it by clicking the round button to the far left beside that contract. Then choose an action, either Edit Record or Delete Record.

Step 3.c. Verify Business Component Summary

This web pageweb pageweb page lists all cost report groups, grants and business entities contained in **Steps 3.a. and 3.b.** above. Preparers must answer the question at the bottom of the page in order to clear the Stop Sign for this Step. The question "Are there any other contracts, grants, or business relationship with HHSC, the State of Texas, or with any other business entities not included in the summary table above?" must be answered either "Yes" or "No". An answer of "Yes" will take the preparer to **Step 3.b.** above.

Note: Step 3.a. is pre-populated with the Medicaid contract numbers, so you do not need to enter them anywhere else in the report. **Step 3.b.** is only for Non-Medicaid contracts or business components, and then **Step 3.c.** is the summary of all. So, if Medicaid contracts are entered in **Step 3.b.**, they will show up twice in **Step 3.c.**

Step 4. General Information

Purpose

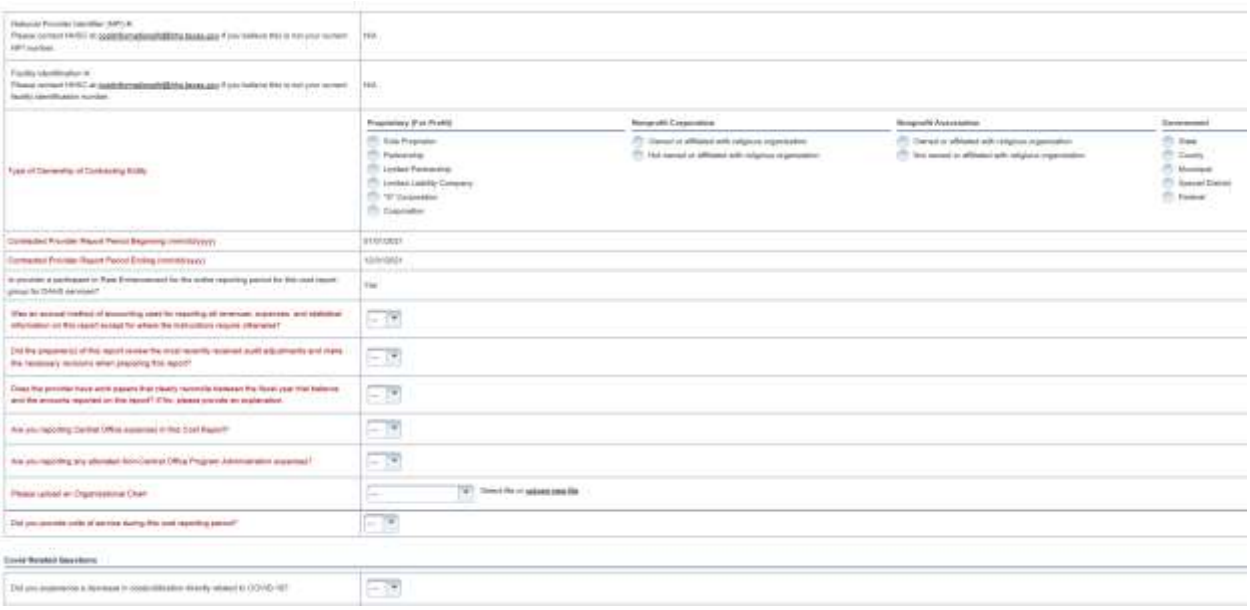
The purpose of Step 4 is to collect general information about the contracted entity that delivered services during the reporting period.

How do we use this information?

HHSC PFD uses this information for a variety of purposes in the financial examination and reports reconciliation processes. HHSC may also add questions to collect one-time information for events that impact provider costs.

How to complete Step 4

From this point forward in the instructions, all requested information must be reported based only on the cost report group for the specific type of cost report is being prepared.



National Provider Identifier#:
The National Provider Identifier number (NPI) will be prepopulated here. Contact HHSC at CostinformationPFD@hhs.texas.gov if you believe this is not your current NPI.

Type of Ownership of Contracting Entity:
Identify the type of ownership of the provider contracting entity from the list. Note: If the provider is a for-profit corporation or one segment of a for-profit corporation (e.g. a dba of a for-profit corporation), "Corporation" is the appropriate entry.

Contracted Provider Reporting Period Beginning and Ending Dates:
These dates represent the beginning and ending dates for the contracted provider's reporting period. For a contracted provider that submitted a cost report in a prior year, these dates will be based on the dates from the prior cost report. For a contracted provider that is reporting for the first time this year, the dates are based on the beginning date of the first contract and on the assumption that the provider is on a calendar fiscal year, so has an ending date of 12/31 of the cost report year. If these dates are not correct, contact HHSC PFD at costinformationPFD@hhs.texas.gov for assistance.

Beginning and Ending Dates When the Cost/Accountability Report Group Did Not Have At Least One Contract Active for the Provider's Entire Fiscal Year Ending in 2021:

In situations where the cost report group did not have at least one contract active for the provider's entire fiscal year ending in 2021, the reporting period must match with HHSC records regarding the effective dates of the provider's current contract(s).

If these dates are not correct, contact HHSC PFD at costinformationPFD@hhs.texas.gov for assistance. Failure to assure that the reporting period is correctly identified will result in the cost report being returned and all work previously done on the report being deleted from the system.

If the provider's reporting period is less than twelve months, the cost report preparer must properly report only those statistics, revenues and expenses associated with the reporting period. For example, if the provider's reporting period was 2/1/2021 through 12/31/2021, it is unacceptable for the cost report preparer to report 11/12 of the provider's annual days of service, annual revenues, and annual expenses. Instead, the cost report preparer should only report information related to the reporting period, meaning that units of service, revenues, and costs related to the month of January 2021 are not to be included anywhere on the cost report.

If the reporting period does not begin on the first day of a calendar month or end on the last day of a calendar month, it is imperative that the cost report preparer properly report only those statistics (i.e., units of service), revenues, and costs associated with the actual cost-reporting period. If, for example, the provider's cost-reporting period was 8/15/2021 through 12/31/2021, it is unacceptable for the cost report preparer to report 37.8% of the provider's total days of service, revenues, and costs for the year. Rather, the cost report preparer must report the days of service, revenues and costs associated only with the period 8/15/2021 through 12/31/2021. Since the month of August is partially reported (i.e., 8/15 - 8/31), the cost report preparer will have to calculate 17/31 of various costs

applicable to the month of August (e.g., building rent/depreciation, August utilities, and other such "monthly" costs) and include that with the actual costs for September - December. For questions regarding the appropriate method for reporting information for less than a full year, please contact PFD LTSS Center for Information and Training.

Is provider a participant in the Attendant Compensation Rate Enhancement for the entire reporting period for this Cost Report?
This answer will be prepopulated and based on whether the provider was a participant for the entire cost reporting period. If the prepopulated answer appears to be incorrect, please contact HHSC PFD at costinformationpfd@hhs.texas.gov

Was an accrual method of accounting used for reporting all revenues, expenses and statistical information on this report, except for where instructions require otherwise?
Click either "Yes" or "No". If "No", provide a reason in the Explanation Box. For the definition of the accrual method of accounting, see the **Definitions** section. An accrual method of accounting must be used in reporting information on Texas Medicaid cost reports in all areas except those in which instructions or cost-reporting rules specify otherwise. Cost reports submitted using a method of accounting other than accrual will be returned to the provider, unless the provider is a governmental entity (i.e., Type of Ownership is in the Government column) using the cash method or modified accrual method. Refer to 1 TAC §355.105(b)(1) for additional information on accounting methods.

Did the preparer(s) of this report review the most recently received adjustments and make the necessary revisions when preparing this report?
Click either "Yes" or "No". If the answer is "No", provide an Explanation. Each provider should review the most recent cost report results (desk review or field audit) and make any necessary changes to the current cost reports. (Refer to 1 TAC §355.107.) If the provider is in the process of appealing an adjustment when the current cost report is submitted, the preparer is still required to make any necessary changes resulting from the prior cost report or informal review decision. The provider may include an explanation of the provider's disagreement with the way a cost has been required to be reported as a result of the previous financial review or informal review.

Does the provider have work papers that clearly reconcile between the fiscal year trial balance and the amounts reported on this report? If No, please provide an explanation.
Click either "Yes" or "No". When a provider clicks "Yes", then the workpapers must be uploaded to the report. There should not be situations where a provider responds to this question with "No." Each provider must maintain reconciliation work papers and any additional supporting work papers (such as trial balances, invoices, canceled checks, tax reporting forms, allocation spreadsheets, financial statements, bank statements, and any other documentation to support the existence, nature, and allowability of reported information) detailing allocation of costs to all contracts/grants/programs/business entities. In order to facilitate the audit process, it is thus required that the cost report preparer attach a reconciliation worksheet, with its foundation being the provider's year-end trial balance. Refer to 1 TAC §355.105(b)(2)(A).

Are you reporting Central Office expenses in this report?
Click either "Yes" or "No". If "Yes" is clicked, then upload the Central Office Allocation Methodology

Are you reporting any allocated Non-Central Office Program Administration expenses?
Click either "Yes" or "No". If "Yes" is clicked, then the Non-Central Office Program Administration Allocation Methodology must be uploaded to the report. This situation would occur when the Program Administrator is a Central Office employee, but directly charges their Program Administrator time to the program.

Did you provide units of service during this cost reporting period?
Click either "Yes" or "No". When a provider clicks "No", You may be eligible for a cost report excusal. If you have provided any services during the reporting period, change the answer to "Yes". If not, please contact the HHSC PFD at CostInformationPFD@hhs.texas.gov. Please refer to, "Who Must Complete this Report" Section of these instructions.

Upload an Organizational Chart.
Please upload the organizational chart for this report. The organizational chart must include employee name, postion, and related party information.

Step 5. Units of Service and Revenue

Purpose

The purpose of Step 5 is to collect units of service information.

How do we use this information?

HHSC PFD uses this information to determine the contracted provider's revenue. Units of service are used in the report reconciliation process to determine spending compliance in the Rate Enhancement program and during rate-setting calculations.

How to complete Step 5

Step 5.a. Statistical Data

Information for Entire Reporting Period

Report statistical data as appropriate.

Licensed Capacity at end of the Report Period:

Report the maximum number of individuals served in your facility at the end of your reporting period as allowed per your licensed capacity.

Number of Days Open During the Entire Reporting Period:

Report the total number of days the facility was open and serving individuals during your entire reporting period.

Step 5.b. Child and Adult Care Food Program (CACFP) Revenue

Report the revenues received from participation in the Child and Adult Care Food Program (CACFP) in **Step 3.b.** of the cost report.

Do not report hours/salary allocated to the CACFP contract as a separate business component.

Do you have a Child and Adult food program (CACFP) contract as an independent center or throughout a sponsoring organization?

If "Yes," answer the next question.
If "No," skip the next question and proceed with the rest of the questions.

Please report Child and Adult Care food program (CACFP) Revenue reporting period:

The CACFP revenue is the same as USDA revenue. Do not offset the CACFP revenue against related expenses. HHSC PFD will reduce each provider's total food and food service expenses by the amount of CACFP (USDA) revenue before the food and food service expenses are included in payment rate calculations. **If you received no CACFP revenue, upload the CACFP denial letter from the Food and Nutrition Program.**

Step 5.c. Units of Service

In this section the preparer will report all units of service and associated revenue.

The preparer must breakdown the units into multiple rate periods based on when the payment rates changed during the provider's cost report year. There will be separate entries for each rate period in **Step 5.b.** based on the provider's reporting period in **Step 4.**

Units of Service				
Service	Rate Period 1	Rate Period 2	Total Units	Private and STAR+PLUS Revenue
HHSC DAHS				
STAR+PLUS DAHS				
Private Pay				
Non-Reimbursed Service				
TOTAL	0	0	0	$0

Save | Save and Return | Cancel

HHSC DAHS

Report all units of service delivered through DAHS services contracted with HHSC.

Important Note. There is no location for entering HHSC contracted DAHS revenues. Those revenues are not to be entered in the cost report.

STAR+PLUS DAHS

Report all units of service and revenue for DAHS services delivered through STAR+PLUS. These are the units under a STAR+PLUS contract in the revenue that the MCO paid the provider.

Private Pay

Report any units of service and revenue for DAHS services that were paid by another payer source. This can include private pay and private insurance. Do not report: Veterans Administration and Qualified Medicare Beneficiary (QMB), STAR Kids, Medically Dependent Children's Program (MDCP), Personal Care Services (PCS) or other forms of Medicaid services. Do not include Medicare or federal government services or other business components not listed.

Non-Reimbursed Service

Report any units where an individual received services, but the unit was not reimbursed by any payer source. This can include individuals served who lost Medicaid eligibility that were not reimbursed and thus there is no associated revenue at the time.

Step 5.d. Other Revenues

In this section the preparer will report other revenues to support services support that are not reported in Step 5.c.

Type	Revenue
Gifts, Grants, and Income from Endowments from Private Sources	$
Grants and Contracts from Federal, State and Local Government Sources	$
Total Other Revenues	0.00

Do you have any other types of revenue not reported in Steps 5.a. - 5.c.?

If you select yes to this question, then a table will open to report any additional revenues used to pay for expenses for services reported on the cost report.

Gifts, Grants, and Income from Endowments from Private Sources

Report revenues from other payment sources not listed in Steps 5.a. – 5.c. Revenues reported under Unrestricted Gifts, Grants, and income from Endowments from Private sources should include any revenue used to pay for expenses reported on the Cost Report from private sources not previously listed in Step 5a – 5c.

Unrestricted or Restricted grants, gifts, and income from endowments from private sources used to purchase allowable program items should not be offset prior to reporting on the cost report. All unrestricted funds which are properly allocable to the cost report should be reported on the cost report, as well as any allowable costs to which the unrestricted funds were applied.

Grants and Contracts from Federal, State and Local Government Sources

Report revenues acquired through Grants and Contracts from Federal, State and Local Government Sources not previously listed in Steps 5.a. – 5.c. Revenues reported under Federal, State, and Local Government sources should include any revenue used to pay for expenses from public or government sources not previously listed in Steps 5.a. – 5.c.

Grants and contracts from federal, state or local government, such as transportation grants, United States Department of Agriculture grants, education grants, Housing and Urban Development grants, and Community Service Block Grants, should be offset, prior to reporting on the cost report, against the particular cost or group of costs for which the grant was intended.

Does any of your Federal, State and Local Government revenue offset costs reported elsewhere in this report? Yes/No

Select Yes to confirm that any Federal, State and Local government revenue was offset against the cost or group of costs the grant was intended prior to reporting the expenses on the cost report per 1 TAC §355.103(b)(18).

Important Note: Provider Relief Funds (PRF)

PRF revenue recognized during the providers reporting period as a result of lost revenue should not reduce any expenses included on the unadjusted trial balance prior to those expenses being reported on the cost report because these lost revenue dollars are not associated with any specific expense. This PRF revenue recognized as a result of lost revenue should instead be reported as "Unrestricted Gifts, Grants,and Income from Endowments and Private Sources" on step 5.d. of the 2021 cost report as applicable and will have no impact on allowable expenses reported.

Step 6. Wages and Compensation

Purpose

The purpose of Step 6 is to collect wages, compensation and benefits information for the contracted provider's attendant, non-attendant and administrative and central office staff.

How do we use this information?

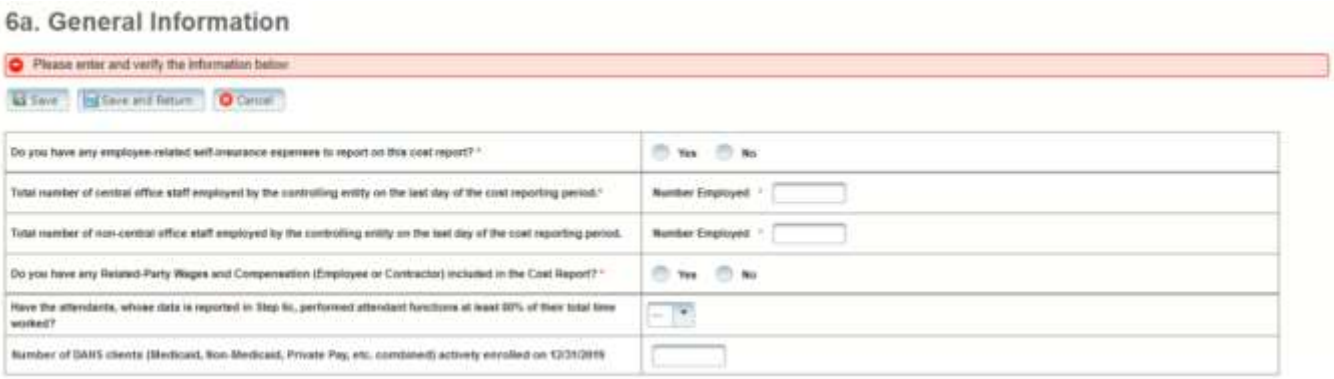
HHSC PFD uses this information to determine the contracted provider's employee and contracted staff expenses. Staff expenses are used in the report reconciliation process to determine spending compliance in the Attendant Compensation Rate Enhancement program and rate-setting calculations.

How to complete Step 6

Step 6.a. General Information

Purpose

To collect staff related information.



Do you have any employee-related self-insurance expenses to report on this cost report?
If "Yes," answer the next question. If "No," skip the next question and proceed with the rest of the questions.

Please select "Yes" or "No" for the following self-insurance expenses that you are reporting on this cost report.
If previous question was answered "Yes" then click on each self-insurance category reported on this cost report.
Total number of central office staff employed by the controlling entity on the last day of the cost-reporting period.

Total number of non-central office staff employed by the controlling entity on the last day of the cost-reporting period.
It is important to count employees only once. Enter the number of employees employed on the last day of the reporting period, not the number of full-time equivalents. Employees that worked in both a central office and a non-central office position should be reported as central office employees only. Do not include contract labor or consultants.

Do you have any Related-Party Wages and Compensation (Employee or Contractor) included in the Cost Report?

Staff Recruiting, Retention, and Benefits

The information entered in the following **Step 6.a.** tables will allow HHSC to evaluate the difficulties that providers are facing with staff recruitment and retention, especially for attendant staff, and will help HHSC assess how to help providers alleviate these issues going forward. Please note that the information in the following 6.a. tables asks for information from the calendar year, **not** your reporting period (unless your reporting period is also the calendar year).

Staff Recruiting Difficulties

This section asks the provider to assess whether staff recruiting has become more difficult or less difficult for your agency during the last **calendar year** (1/1/20xx - 12/31/20xx) compared with prior years.

For each of the listed staff Position Types, choose one of eight options:

- *Very easy*
- *Moderately easy*
- *Easy*
- *Neither easy nor difficult*
- *Difficult*
- *Moderately difficult*
- *Very difficult*
- *N/A (no staff of this type).*

Staff Recruiting Information

Staff Recruiting Difficulties	
Position Type	Level of difficulty in recruiting new staff from 1/1/2019 - 12/31/2019? Please select one option for each Position Type
Part-time Attendants and Drivers *	---
Full-time Attendants and Drivers *	---
Part-time Nurses (RNs, LVNs) *	---
Full-time Nurses (RNs, LVNs) *	---
Part-time Administrative, Operations and Central Office Staff *	---
Full-time Administrative, Operations and Central Office Staff *	---

Staff Retention Information

Staff Retention Information

Staff Retention Information													
			Number of staff who left:		Number of staff (Medicaid, Non-Medicaid & Private Pay combined) based on length of time employed or contracted with your agency								
Position Type	Number of staff (Medicaid, Non-Medicaid & Private Pay combined) on 12/31/2019	Number of staff vacancies on 12/31/2019	1/1/2019 - 6/30/2019	7/1/2019 - 12/31/2019	Less than 6 months	Between 6 and 12 months	Over 12 months	Average number of days to fill vacant positions (estimates accepted if unknown)	Number of attendants paid above the base wage rate of $8.00/hour on 12/31/2019	Current starting hourly wage for this type of position within your agency in 2019	Average hourly wage for this type of position after 2 years of employment	Percentage of work hours filled w/OT or non-scheduled staff (estimates accepted if unknown)
Part-time Attendants and Drivers										$	$	%
Full-time Attendants and Drivers										$	$	%
Part-time Nurses (RNs, LVNs)												
Full-time Nurses (RNs, LVNs)												
Part-time Administrative, Operations and Central Office Staff												
Full-time Administrative, Operations and Central Office Staff												
TOTAL	0	0	0	0	0	0						

Number of Staff (Medicaid, Non-Medicaid & Private Pay combined) on 12/31/20xx.
Enter the total number of staff members that were employed with your agency (by Position Type) on the exact date of 12/31/20xx.
Please note: the "TOTAL" number at the bottom of this column will need to match with the total number ("Total Staff by Length of Time") in the "Length of Time with your Agency" table.
Number of staff vacancies on [reporting period end]:
Enter the total number of staff members who left (resigned, terminated, quit, fired, etc.) during the first half of the year (1/1/20xx - 6/30/20xx), and then the total number of staff who left during the second half of the year (7/1/20xx - 12/31/20xx). This is also broken down by Position Type.

Number of staff who left during [reporting period start] – [reporting period halfway point]
Enter the total number of staff members who left (resigned, terminated, quit, fired, etc.) during the reporting period start date (1/1/20xx - 6/30/20xx), and then the total number of staff who left during the halfway point of the year (7/1/20xx - 12/31/20xx). This is also broken down by Position Type.

Number of staff who left [reporting period halfway point+ 1] – [reporting period end]
Enter the total number of staff members who left (resigned, terminated, quit, fired, etc.) during the first half of the year (1/1/20xx - 6/30/20xx), and then the total number of staff who left during the second half of the year (7/1/20xx - 12/31/20xx). This is also broken down by Position Type.

Number of staff (Medicaid, Non-Medicaid & Private Pay combined) based on length of time employed or contracted with your agency.

- Less than 6 months
- Between 6 and 12 months
- Over 12 months

Average number of days to fill vacant positions (Estimates accepted if unknown)
Enter the average number of days required to hire new staff to fill a vacant position. If you do not know the exact number for this, please enter a thoughtful estimate.

Attendant Benefits Information

In addition to wages, does your agency offer benefits to attendants and drivers? If, yes, check all that apply

Click each box in order to add a check mark to the types of benefits that your agency offers to full-time and part-time staff. If your agency does not offer a particular benefit to your staff, please leave the field blank.

Attendant Benefits Information

Attendant Benefits Information		
In addition to wages, does your agency offer benefits to attendant? If Yes, check all that apply	Full-Time Attendant	Part-Time Attendant
Medical Insurance (paid in whole or in part by agency)	☐	☐
Dental Insurance (paid in whole or in part by agency)	☐	☐
Retirement (paid in whole or in part by agency)	☐	☐
Paid Sick Leave	☐	☐
Paid Vacation	☐	☐
Short-Term Disability	☐	☐
Long-Term Disability	☐	☐
Jury Duty Leave	☐	☐
Bereavement Leave	☐	☐
Vision Insurance	☐	☐
Employee Assistance Plan	☐	☐
Life Insurance	☐	☐

Save | Save and Return | Cancel

Step 6.b. Related-Party

Purpose

To collect related-party information.

This Step will be disabled, and the preparer will not be able to make entries if the answer was "No" to the question regarding Related Party Wages and Compensation on **Step 6.a.** above. If that question was erroneously answered "No", the preparer will need to return to that item and change the response to "Yes" to be able to enter data in this Step.

For each owner-employee, related-party employee and/or related-party contract staff:

1. Click "Add record"

A. First Name
B. Middle Initial
C. Last Name
D. Suffix – e.g. Jr., III, Sr.
E. Birth Date – Format as mm/dd (e.g. 10/26 for October 26). Year is not requested.
F. Relationship to Provider – This could be blood relationship (Father, Sister, Daughter, Aunt), marriage relationship (Wife, Mother-in-Law, Brother-in-Law), Ownership (in the case of a corporation or partnership), or control (membership in board of directors, membership in related board of directors, etc.)
G. Percentage Ownership (in cases of corporation or partnership)
H. Total Hours Worked – Total hours worked for all entities within the entire combined entity. If the related party was paid for a "day of service", then multiply that day by 8 to report hours.
I. Total Compensation – Total compensation (wages, salary and/or contract payments) paid to the related party by all entities within the entire combined entity. It is expected that all individuals will have received some form of compensation from within the combined entity.

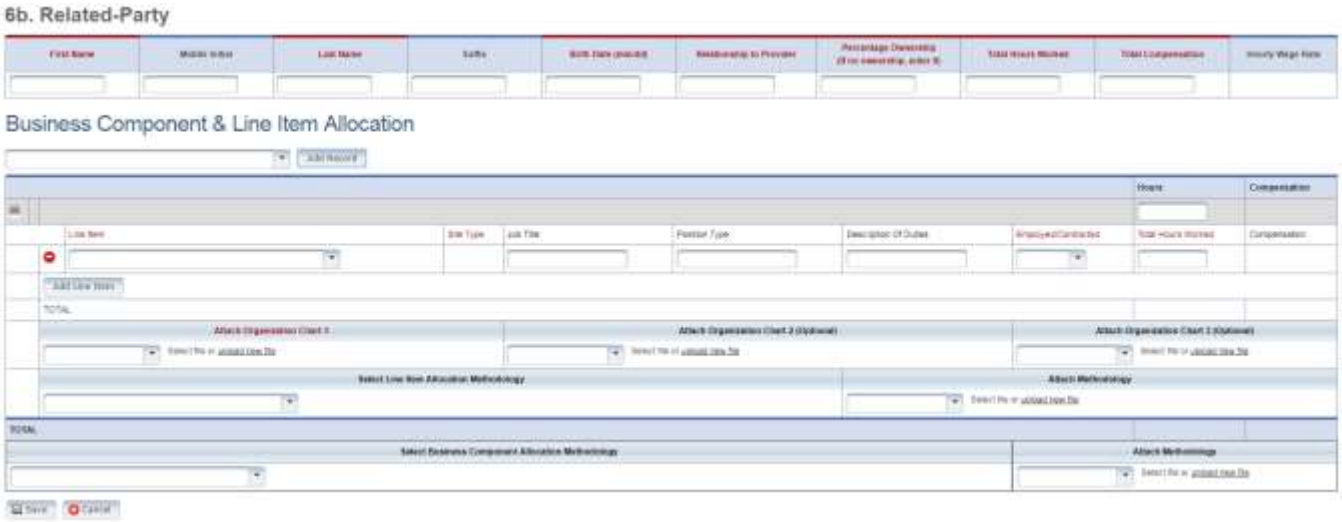
   Note: This must be actual compensation, without any adjustments based on related-party status. Any adjustments required by 1 TAC 355.105(i) will be made automatically in STAIRS during the audit process.

J. Hourly Wage Rate – Calculated figure based on Total Compensation divided by Total Hours Worked.

   Note: If the preparer needs to delete a related-party after filling out the data fields for A through J listed above, preparer must zero out the Total Hours Worked as well as the Hours listed on the grey bar. Click on the individual to delete and on Delete Record.

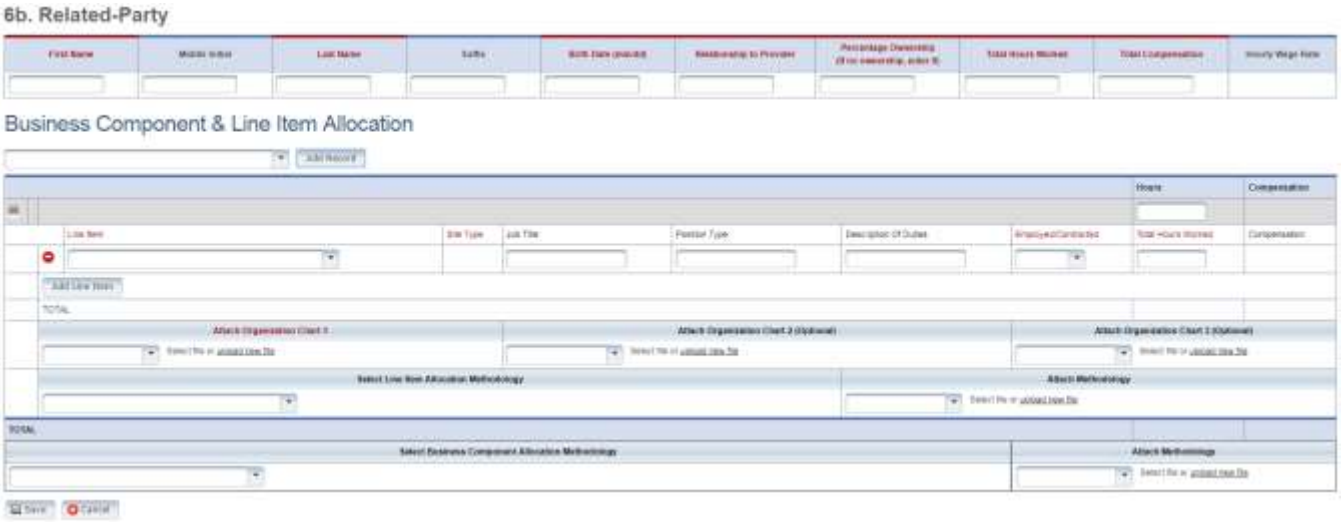
2. Click "Save" to enter Business Component and Line Item Allocation(s)

The available business components are limited to the businesses and contracts entered in **Step 3.** If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to **Step 3.b.** and enter the missing business component data. Allocate or direct cost all hours reported for the individual under Total Hours Worked and Total Compensation to a business component before proceeding. The Hourly Wage Rate will automatically be calculated. If allocated, an allocation method must be chosen, and an allocation summary uploaded when prompted.



A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, the drop-down menu does not appear, and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Line Item information for each business component. Choose and Click "Add Record" until all business components to which this related party will be allocated have been added.

3. Enter Line Item Allocation(s)
   •



A. Hours – On the grey bar, enter hours allocated or direct costed to each business component. Compensation amount will be automatically calculated.
B. Line Item – The drop-down menu includes all staff types reportable in this cost report. Attendant staff types may only be used for staff who meet the definition of attendant. See Definitions*, Attendant Care for Community*. Note both which staff can be classified as an attendant, and which cannot.
C. Job Title – Related Party's title within the specific business component
D. Position Type - Identify the type of position (e.g., central office, management, administrative, direct care, nurse, or direct care supervisory) filled by the related individual.
E. Description of Duties – Provide a description of the duties performed by the related individual as they relate to the specific cost report or upload a copy of the person's written job description, providing a summary of how those duties relate to the specific cost report, and reference that upload in this item.
F. Employed/Contracted –Select either Contracted or Employed. If it happens that the related party is compensated during the year both as an employee and as a contractor for the same activity, then the hours for contracted would have to be entered separately from the hours for employed.
G. Total Hours Worked – Enter hours allocated or direct costed to each area. Allocate or direct cost all hours reported for the individual for the business component to an area before proceeding. Compensation will automatically be calculated.
H. Organizational chart – Upload an organizational chart or select from the drop-down menu of documents that have already been uploaded. The organizational chart must include both name and position of each related party. Refer to Appendix C for an example.
I. Line Item Allocation Methodology – If allocated to multiple line items, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple line items entered.
J. Business Component Allocation Methodology – After all business component line item allocations have been completed, reporting a related party in multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.

Step 6.c Attendant

Report Attendant Expenses in Step 6.c.

Purpose

To collect attendant and drivers hours, wages, benefits and mile reimbursement. This information is used for calculating spending recoupments.

Did all your attendant staff perform attendant functions at least 80% of their total time worked? Please report in Step 6c, Table 1
Do you have other staff who performed attendant functions less than 80% of their total time worked? Please report in Step 6c, Table 2

Staff Providing Attendant Services at least 80 Percent of Total Time Worked – Table 1

Other Staff Providing Attendant Services less than 80 Percent of Total Time Worked – Table 2

Did all your attendant staff perform attendant functions at least 80% of their total time worked? Click "Yes" or "No."

If you select "Yes", you are confirming that all attendant staff performed attendant functions at least 80% of their total time worked. Please report all attendant staff hours and wages in table 1 in Step 6.c.

If you select "No", the following question will open:

Do you have other staff who performed attendant functions less than 80% of their total time worked? Click "Yes" or "No"

If you select "Yes", you are confirming that you have staff who performed attendant functions less than 80% of their total time worked. You will need to allocate expenses for these staff between time associated with providing attendant and non-attendant or administrative functions as appropriate. Please report expenses applicable to the portion of their time associated with attendant functions in Step 6c, Table 2. Please report expenses associated with remaining time in non-attendant functions in Step 6.d. and/or administrative function in Step 6.e as applicable.

Non-Related Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment - **Columns B-E**

These columns are for non-related party attendants **ONLY**. All related-party attendants must be entered through **Step 6.b.** above. For each attendant staff service type, enter hours, wages and contract compensation for non-related party employees and contract staff who meet the definition of an attendant. See **Definitions**, *Attendant Care*. Only employee and contracted staff who meet the definition of attendant may be reported in these cost items.

Total Staff and Contract Hours should include the total number of hours for which employees and contract labor attendants were compensated during the reporting period. This would include hours for both time worked and paid time off (sick leave, vacation, etc.).

Related-Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment - Columns F-I

If there are related-party employee and/or contract attendant staff reported in **Step 6.b.** above, these columns are automatically populated after all nonrelated-party costs in Columns B-E have been entered.

Employee Benefits/Insurance - Column J

This column is for BOTH related and non-related party employee attendant staff. For all attendants, by service type, include the following benefits in this column. These benefits, except for paid claims where the employer is self-insured, must be direct costed, not allocated.

- Accrued Vacation and Sick Leave*
- Employer-Paid Health/Medical/Dental Premiums
- Employer-Paid Disability Insurance Premiums
- Employer-Paid Life Insurance Premiums
- Employer-Paid Contributions to acceptable retirement funds/pension plans
- Employer-Paid Contributions to acceptable deferred compensation funds
- Employer-Paid Child Day Care
- Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

* **ACCRUED LEAVE**. If the provider chooses to report accrued leave expenses not yet subject to payroll taxes, they must be reported as employee benefits. Providers must maintain adequate documentation to substantiate that costs reported one year as accrued benefits are not also reported, either the same or another year, as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III) (-c-).

Note: Costs that are not employee benefits Per 1 TAC §355.103(b)(1)(A)(iii)(II), the contracted provider's unrecovered cost of uniforms, staff personal vehicle mileage reimbursement, job-related training reimbursements and job certification renewal fees are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items in **Step 8.f.,** unless they are subject to payroll taxes, in which case they are to be reported as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III) (-e-) and instructions on staff personal vehicle mileage reimbursement for further direction on the correct reporting of these costs

Miles Traveled and Mileage Reimbursement - Columns K and L

These columns are for BOTH related and non-related party employee attendant staff. For all attendants, by service type, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation include mileage and reimbursements of attendant staff who transport individuals to/from facilities in their personal vehicle, unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. Allowable travel and transportation also include mileage and reimbursements of attendant staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 1/1/20 – 12/31/20 57.5 cents per mile
- 1/1/21 – 12/31/21 56.0 cents per mile

Total Compensation - Column M

This column is the sum of Columns C, E, G, I, J and L and represents Total Attendant Compensation for that service type.

Average Staff Rate - Column N

This column is the result of Columns C + G divided by Columns B + F and represents the average hourly wage rate of all employee staff, both related party and non-related party.

Average Contract Rate - Column O

This column is the result of Columns E + I divided by Columns D + H and represents the average hourly contract rate of all contract staff, both related party and non-related party.

Average Mileage Reimbursement per Mile - Column P

This column is the result of Column L divided by Column K. This amount should never be greater than the highest allowable mileage rate for the provider's fiscal year.

Step 6.d. Non-Attendant

Purpose

To collect non-attendant hours, wages, benefits and mile reimbursement.

6d. Non-Attendant

	Non-Related Party				Related Party				Related Party and Non-Related Party						
Type	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Employee Benefit/Insurance	Miles Traveled	Mileage Reimbursement	Total Compensation	Average Staff Rate	Average Contracted Rate	Average Mileage Reimbursement per mile
A	B	C	D	E	F	G	H	I	J	K	L	M (C+E+G+H+J+L)	N [(C+G)/(B+F)]	O [(E+I)/(D+H)]	P (L/K)
Registered Nurse (RN)												$0	$0.00	$0.00	$0.00
Licensed Vocational Nurse (LVN)												$0	$0.00	$0.00	$0.00
Activity Director												$0	$0.00	$0.00	$0.00
Dietitian												$0	$0.00	$0.00	$0.00
Food Service Personnel												$0	$0.00	$0.00	$0.00
Other Permanent Direct Care Staff												$0	$0.00	$0.00	$0.00
TOTAL	0.00	$0	0.00	$0	0.00	$0	0.00	$0	$0	0	$0	$0			

Save | Save and Return | Cancel

The first section:

Non-Related Party Total Staff Hours, Total Staff Wages, Total Contract Hours, and Total Contract Payment - Columns B-E

These columns are for non-related party staff of the listed staff types only. Compensation for administrative staff types will be collected in a separate Step of the cost report. All related-party staff must be entered through **Step 6.b.** above. For each service type enter hours, wages, and contract compensation for non-related party employees and contract staff. All staff reported here perform either non-attendant care or non-administrative, indirect care functions.

Total Staff and Contract Hours should include the total number of hours for which employees and contract staff were compensated during the reporting period. This would include hours for both time worked and paid time off (sick leave, vacation, etc.).

Pay for being "on-call" is reported as salaries by staff type but only on-call hours worked performing a specific function can be reported as time. For example, if a RN was on call for an entire weekend and received $200 as on-call compensation, the total $200 would be reported as wages or compensation. If the RN was required for three hours to aid staff while on-call during the weekend, only three hours would be reported as paid hours and not the full 48 hours of the weekend.

For staff whose work hours are split between direct non-attendant and indirect service functions and administrative and operations functions (e.g., part-time Registered Nurse and part-time administrator) report in this Step only the hours and compensation associated with the provision of direct non-attendant care (e.g., the part-time Registered Nurse hours).

Related-Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment - Columns F-I

If there are related-party employee and/or contract staff as described above reported in **Step 6.b.**, these columns are automatically populated after all nonrelated-party costs in Columns B-E have been entered.

Employee Benefits/Insurance - Column J

This column is for BOTH related and non-related party employee staff. For all staff reported in *Non-attendants'* compensation above, include the following benefits in this column. These benefits, except for paid claims where the employer is self-insured, must be direct costed, not allocated.

- Accrued Vacation and Sick Leave*
- Employer-Paid Health/Medical/Dental Premiums
- Employer-Paid Disability Insurance Premiums
- Employer-Paid Life Insurance Premiums
- Employer-Paid Contributions to acceptable retirement funds/pension plans
- Employer-Paid Contributions to acceptable deferred compensation funds
- Employer-Paid Child Day Care
- Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

* ACCRUED LEAVE. If the provider chooses to report accrued leave expenses not yet subject to payroll taxes, they must be reported as employee benefits. Providers must maintain adequate documentation to substantiate that costs reported one year as accrued benefits are not also reported, either the same or another year, as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III) (-c-).

Note: Costs that are not employee benefits Per 1 TAC §355.103(b)(1)(A)(iii)(II), the contracted provider's unrecovered cost of uniforms, staff personal vehicle mileage reimbursement, job-related training reimbursements and job certification renewal fees are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items, unless they are subject to payroll taxes, in which case they are reported as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III) (-e-) and instructions on staff personal vehicle mileage reimbursement for further direction on the correct reporting of these costs.

Miles Traveled and Mileage Reimbursement - Columns K and L

These columns are for BOTH related and non-related party staff. For all staff reported in *Non-attendants'* compensation above, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation include mileage and reimbursements of these staff who transport individuals to/from facility in their personal vehicle, unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. Allowable travel and transportation also include mileage and reimbursements of these staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 1/1/20 - 12/31/20 57.5 cents per mile
- 1/1/21 - 12/31/21 56.0 cents per mile

Total Compensation - Column M
This column is the sum of Columns C, E, G and I and represents Total Non-Attendant Compensation for that service type.

Average Staff Rate - Column N
This column is the result of Columns C + G divided by Columns B + F and represents the average hourly wage rate of all employee staff, both related party and non-related party.

Average Contract Rate - Column O
This column is the result of Columns E + I divided by Columns D + H and represent the average hourly contract rate of all contract staff, both related party and non-related party.

Average Mileage Reimbursement per Mile - Column P
This column is the result of Column D divided by Column C. This amount should never be greater than the highest allowable mileage rate for the provider's fiscal year.

Step 6.e Administrative and Operations Personnel (Cost Report only)

Note: this step is not applicable to Accountability Report.

Purpose

To collect administration and operations personnel hours and wages.

Non-Related Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment - Columns B-E
These columns are for **non-related party staff** of the listed staff types **ONLY**. All related-party staff must be entered through **Step 6.b.** above. For each staff type enter hours, wages and contract compensation for non-related party employees and contract staff. All staff reported here perform administrative or operations functions.

Total Staff and Contract Hours should include the total number of hours for which employees and contract staff were compensated during the reporting period. This would include hours for both time worked and paid time off (sick leave, vacation, etc.).

For staff whose work hours are split between direct administrative and operations functions and other functions (e.g., part-time RN direct service and part-time RN Supervisor) report in this Step only the hours and compensation directly associated with the provision of administrative and operations functions and supported by timesheets (e.g., the part-time RN Supervisor hours and compensation).

If there is a line item for a staff type identified in Step 6e, then all direct expenses and shared administrative expenses associated with that staff type should be reported in applicable line item. Central Office staff should only include shared administrative staff not otherwise identified in Step 6e.

- **Owner** – Enter here only if an Owner, Partner, or Stockholder is employed in an administration position other than Administrator, Assistant Administrator, or central office employee. Owners may not be contracted.
- **Other Administrative Staff** – Enter here any other professional and nonprofessional administrative personnel such as Financial, Clerical, Human Resources, etc., staff.
- **Other Facility & Operations (including Maintenance and Transportation) Staff –** Enter here the hours and compensation for maintenance staff, transportation staff who were NOT reported as any other staff not otherwise captured as Attendants, Non-Attendants, Program Administration or Central Office staff.
- **Central Office Staff –** Enter here the allocated portion of shared administrative staff not otherwise identified in Step 6e.

Related-Party Total Staff Hours, Total Staff Wages, Total Contract Hours and Total Contract Payment - Columns F-I

If there are related-party employee and/or contract staff as described above reported in **Step 6.b.**, these columns are automatically populated after all nonrelated-party costs in Columns B-E have been entered.

Total Compensation - **Column J**
This column is the sum of Columns C, E, G and I and represents Total *Administrative and Operations Personnel* Compensation for that staff type.

Average Staff Rate - Column K
This column is the result of Columns C + G divided by Columns B + F and represents the average hourly wage rate of all employee staff, both related party and non-related party.

Average Contract Rate - Column L
This column is the result of Columns E + I divided by Columns D + H and represents the average hourly contract rate of all contract staff, both related party and non-related party.

For the lower section:

Employee Benefits/Insurance - Column B

This column is for BOTH related and non-related party employee staff. For all staff reported in **Step 6.e.**, include the following benefits in this column. These benefits, except for paid claims where the employer is self-insured, must be direct costed, not allocated.

- Accrued Vacation and Sick Leave*
- Employer-Paid Health/Medical/Dental Premiums
- Employer-Paid Disability Insurance Premiums
- Employer-Paid Life Insurance Premiums
- Employer-Paid Contributions to acceptable retirement funds/pension plans
- Employer-Paid Contributions to acceptable deferred compensation funds
- Employer-Paid Child Day Care
- Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

* ACCRUED LEAVE. If the provider chooses to report accrued leave expenses not yet subject to payroll taxes, they must be reported as employee benefits. Providers must maintain adequate documentation to substantiate that costs reported one year as accrued benefits are not also reported, either the same or another year, as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III) (-c-).

Note: Costs that are not employee benefits Per 1 TAC §355.103(b)(1)(A)(iii)(II), the contracted provider's unrecovered cost of uniforms, staff personal vehicle mileage reimbursement, job-related training reimbursements and job certification renewal fees are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items, unless they are subject to payroll taxes, in which case they are reported as salaries and wages. See 1 TAC §355.103(b)(1)(A)(iii)(III) (-e-) and instructions on staff personal vehicle mileage reimbursement for further direction on the correct reporting of these costs.

Miles Traveled and Mileage Reimbursement - Columns C and D

These columns are for BOTH related and non-related party employee staff. For all staff reported in **Step 6.e.**, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation include mileage and reimbursements of these staff who transport individuals to/from activities in their personal vehicle, unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. It also includes mileage and reimbursements of these staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 1/1/20 - 12/31/20 57.5 cents per mile
- 1/1/21 - 12/31/21 56.0 cents per mile

Total of Benefits and Mileage Reimbursement - Column E
This column is the sum of Columns B + D.

Average Mileage Reimbursement per Mile - Column F
This column is the result of Column D divided by Column C. This amount should never be greater than the highest allowable mileage rate for the provider's fiscal year.

Step 7. Payroll Taxes and Workers' Compensation

Purpose

The purpose of Step 6 is to collect wages, compensation and benefits information for the contracted provider's attendant, non-attendant and administrative and central office staff.

How do we use this information?

HHSC PFD uses this information to determine the contracted provider's employee and contracted staff expenses. Staff expenses are used in the report reconciliation process to determine spending compliance in the Attendant Compensation Rate Enhancement program and rate-setting calculations.

How to complete Step 6

Report costs for all staff in Step 7. Report cost for attendant staff, non-attendant / program administration (non-central office) and central office employees separately.

The payroll tax and Workmans' Compensation Insurance information reported in Step 7 are accrued on related and non-related party staff wages reported in the below steps:

- Attendant Column– Step 6.c. Attendant
- Non-Attendant and Program Admin Column – Step 6.d. Non-Attendant and Step 6.e. Administrative and Operations Personnel, except for Central Office Staff line item.
- Central Office Column – Step 6.e. Central Office Staff line item only.

Note: 6.e. Administrative and Operations Personnel is not applicable to the Accountability Report.

If payroll taxes (i.e. FICA, Medicare, and state/federal unemployment) are allocated based upon percentage of salaries, the provider must disclose this functional allocation method. The use of percentage of salaries are not the salaries allocation method, since the salaries allocation method includes both salaries and contract labor.

Did the provider have a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs?
Click either "Yes" or "No".

Is your entity a Texas Workforce Commission Reimbursing Employer?
Click either "Yes" or "No". If "Yes" is clicked, provider must upload supporting documentation or select a file from the drop-down menu of documents that have already been uploaded.

For the following taxes, list separately those for Non-Central Office and for Central Office staff:

FICA & Medicare Payroll Taxes
Report the cost of the employer's portion of these taxes. Do not include the employee's share of the taxes.

The amount reported in Step. 7 for FICA & Medicare Payroll Taxes should not be greater than 7.65% of reported wages. Except for the following conditions:

- The provider has indicated that they participate in a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses, and/or dependent care costs;
- The provider has reported staff who are paid in excess of the FICA Wage Limit $142,800 for 2021.

Note: Refer to Publication 15, (Circular E), Employer's Tax Guide.

State and Federal Unemployment Taxes
Report both federal (FUTA) and Texas state (SUTA) unemployment expenses.

Workers' Compensation Premiums
If the contracted provider is a subscriber to the Workers' Compensation Act, report here the Worker's Compensation insurance premiums paid to the provider's commercial insurance carrier. If the effective period of the provider's Workers' Compensation insurance policy does not correspond to the provider's fiscal year, it will be necessary to prorate the premium costs from the two policy periods falling within the provider's reporting period to accurately reflect the costs associated with the cost reporting period. Premium costs include the base rate, any discounts for lack of injuries, any refunds for prior period overpayments, any additional modifiers and surcharges for experiencing high numbers of injuries (such as being placed in a risk pool), and any audit adjustments made during the cost-reporting period. The Texas Workers' Compensation Commission audits traditional Workers' Compensation insurance policies yearly and annual adjustments must be properly applied to the cost-reporting period on a cash basis.

If the contracted provider is not a subscriber to the Workers' Compensation Act, there are alternate insurance premium costs that can be reported in this item. Acceptable alternate insurance policies include industrial accident policies and other similar types of coverage for employee on-the-job injuries. Disability insurance and health premiums are ***not*** considered alternate workers' compensation policies and those costs must be reported as employee benefits (if subject to payroll taxes, they must be reported as salaries). A general liability insurance policy, according to the Texas Department of Insurance, specifically excludes payment for employee on-the-job injuries; therefore, general liability premium costs must not be reported on this item.

If the provider's commercially purchased insurance policy does not provide total coverage and has a deductible and/or coinsurance clause, any deductibles and/or coinsurance payments made by the employer on behalf of the employee would be considered claims paid (i.e., self-insurance) and must be reported in the ***Workers' Compensation Paid Claims*** item below.

Workers' Compensation Paid Claims
If the provider was not a subscriber to the Workers' Compensation Act (i.e., traditional workers' compensation insurance policy), and paid workers' compensation claims for employee on-the-job injuries, report the amount of claims paid. Also report the part of any workers' compensation litigation award or settlement that reimburses the injured employee for lost wages and medical bills here unless the provider is ordered to pay the award or settlement as back wages subject to payroll taxes and reporting on a W-2, in which case the cost should be reported in **Step 6.** Note that only the part of the litigation award or settlement that reimburses the injured employee for lost wages and medical bills is allowable on this cost report. If the provider maintained a separate bank account for the sole purpose of paying workers' compensation claims for employee on-the-job injuries (i.e., a nonsubscriber risk reserve account), the contributions made to this account are not allowable on the cost report. This type of arrangement requires that the contracted provider be responsible for payment of all its workers' compensation claims and is not an insurance-type account or arrangement. A nonsubscriber risk reserve account is not required to be managed by an independent agency or third party. It can be a separate

checking account set aside by the contracted provider for payment of its workers' compensation claims. However, only the amount for any claims paid should be reported on the cost report, not the amount contributed to any (reserve) account. There is a cost ceiling to be applied to allowable self-insurance workers' compensation costs or costs where the provider does not provide total coverage and that ceiling may limit the costs, which may be reported. See 1 TAC §355.103(b)(13)(B) and §355.105(b)(2)(B)(ix) and ***Appendix E.***

Step 8. Facility and Operations Costs

Purpose

The purpose of Step 8 is to collect expense information for the contracted provider and used directly or indirectly in the provision of contracted services. (Cost report only)

How do we use this information?

HHSC PFD uses this information for rate-setting calculations and legislative cost analysis.

How to complete Step 8

Note: this step is not applicable to Accountability Report

Step 8.a. General Information

Purpose

To collect Facilty and Operations cost. This information will lock or unlock certain sections in Step 8.

8.a. General Information

Do you have any contracted management costs to report? Note: Related-party management expenses must be reported as central office expenses. *	

Please upload a copy of your Management Agreement or other similar documentation.*	
Do you have any asset or operations-related self-insurance expenses to report on this cost report?	
Were any supplies or non-depreciable equipment purchased or leased from a related party?	
Were there any related-party loans?	
Were there any related-party contracted services?	
Is the building in which DAHS services are provided donated?	
Is the Building in which DAHS services are provided utilized entirely by the DAHS program?	

Do you have any contracted management costs to report? Note: Related-party management expenses must be reported as central office expenses.
If "Yes," please select "Yes - Non-Related Party,"" Yes - Related Party," or "Yes - Both Non-Related Party and Related Party," or "No"

Do you have any asset or operations-related self-insurance expenses to report on this Cost Report?
If "Yes", please select "Yes" or "No" for all of the following self-insurance expenses.

Click either "Yes" or "No" for each expense type. Those self-insuring for vehicle expenses must upload a copy of the Texas Department of Public Safety (TDPS) Certificate of Self-Insurance. See **Appendix E.**

Were any supplies or non-depreciable equipment purchased or leased from a related party?
Click either "Yes" or "No". If "Yes", **Step 8.b.** will become available for entry of related-party transactions. Refer to **Definitions**, *Related Party* and *Related-Party Transactions*.

Were there any related-party loans?
Click either "Yes" or "No". If "Yes", **Step 8.c.** will become available for entry of related-party loan transactions. Refer to **Definitions**, *Related Party* and *Related-Party Transactions*.

Were there any related-party contracted services?
Click either "Yes" or "No". If "Yes", **Step 8.d.** will become available for entry of related-party transactions with contractors. See the instructions below for a discussion of the types of contracted services to be reported here. Refer to **Definitions**, *Related Party* and *Related-Party Transactions*.

Is the building in which services are provided donated?
Click either "Yes" or "No"

Is the building in which services are provided utilized entirely by the program?
Click either "Yes" or "No"

All Other Costs

All Other Costs

Please note that the information gathered by this item is self-reported, will not be audited, is for informational purposes only and will not be used in the rate determination process. Some costs included in this item may not be allowable in the current reporting period but will be reported as allowable in future years.

Enter Total Unallowable Expenses for the contracts listed in Step 3a for this specific cost report	0.00

Note: The information gathered by this item is self-reported, will not be audited, is for informational purposes only and will not be used in the rate determination process.

Enter Total Unallowable Expenses for the contracts listed in Step 3.a. for this specific cost report.

Steps 8.b.-8.d. Related-Party Transactions

Purpose

These sections report Related Party Non-Depreciable Equipmnet and Supplies, Loans and Contracted Services.

See 1 TAC §355.102(i) for specific details and requirements on related-party transactions. If the responses to the final three questions in **Step 8.a.** above were all "No", then the **Steps 8.b.-8. d.** will be disabled, and the preparer will not be able to make entries. If any of those questions was erroneously answered "No", the preparer will need to return to that item and change the response to "Yes" to be able to enter data in these three Steps.

The lease or purchase of services (including lending/loan services), facilities, equipment and supplies from related organizations or related individuals by the provider or the provider's central office must be reported as a related-party transaction. Note that for depreciation expenses, related-party status is disclosed separately for each depreciable item when depreciation, amortization and other expenses for related-party and non-related-party assets are entered. In addition, purchases made from a related party by the central office for services, facilities, and supplies must also be reported as related party transactions. An exception is central office costs allocated to the provider that contain no markup (i.e., the cost allocated to the provider is the cost incurred by the central office); these do not have to be reported as related party transactions. This exception does not apply to related-party management costs; these costs must always be reported as central office costs.

Expenses in related-party transactions are allowable at the cost to the related organization; however, the cost must not exceed the price of comparable services, equipment, facilities, or supplies that could be purchased or leased elsewhere in an arm's-length transaction. The related organization's costs include all reasonable costs, direct and indirect, incurred in the furnishing of services, equipment, facilities, leases, and supplies to the provider. The intent is to treat the costs incurred by the supplier as if the contracted provider itself incurred them. Therefore, if a cost would be unallowable if incurred by the contracted provider, it would be similarly unallowable to the related organization.

See **Definitions**, *Related Party* and *Related-Party Transactions.*

EXCEPTIONS TO THE RELATED-PARTY RULE
An exception (1 TAC §355.102(i)(5)) is provided to the general rule applicable to related organizations if the contracted provider demonstrates for each cost report that certain criteria have been met. If all the conditions of this exception are met, the charges by the related-party supplier to the contracted provider for services, equipment, facilities, leases, or supplies are allowable costs and do not have to be reported as related-party transactions. Written requests for an exception to the general rule applicable to related organizations must be submitted for approval to HHSC's PFD no later than 45 days prior to the due date of the cost report in order to be considered for that year's cost report. The provider's request for an exception must demonstrate that all the following criteria have been met:

1. The supplying organization is a bona fide separate organization. See §355.102(i)(5)(A).

2. Most of the supplying organization's business activity of the type carried on with the contracted provider is transacted with other organizations not related to the contracted provider and the supplier by common ownership or control. See §355.102(i)(5)(B).

3. There is an open, competitive market for the type of services, equipment, facilities, leases, or supplies furnished by the related organization. See §355.102(i)(5)(B).

4. The services, equipment, facilities, or supplies are those which commonly are obtained by entities such as the contracted provider from other organizations and are not a basic element of contracted care ordinarily furnished directly to individuals by such entities. See §355.102(i)(5)(C).

5. The charge to the contracted provider is comparable to open market prices and does not exceed the charge made to others by the organization for such services, equipment, facilities, leases or supplies. See §355.102(i)(5)(D).

If Medicare has made a determination that a related-party situation does not exist or has granted an exception to the related-party definition, and the provider desires that HHSC accept that determination, the cost report preparer must submit a copy of the applicable Medicare determination, along with evidence supporting the Medicare determination for the current cost-reporting period with each affected cost report. If the exception granted by Medicare is no longer applicable due to changes in circumstances of the contracted provider or because the circumstances do not apply to the contracted provider, HHSC can choose not to accept the Medicare determination. *See 1 TAC §355.102(i)(5).* If the request for a related-party exception is not received at least 45 days prior to the due date of the cost report, HHSC PFD is not required to process the request for that cost-reporting year.

Step 8.b. Related-Party Non-depreciable Equipment and Supplies

Included in this Step should be all purchases and leases from a related individual or organization of equipment and/or supplies with a value of less than $5,000 and/or a useful life of less than one year.

1. Click “Add record”

All columns must be completed for each related-party transaction.

A. Name of Related-Party/Organization – Enter the name of the related party or organization from whom the contracted provider purchased or leased equipment and/or supplies. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.
B. Type – must be chosen from the drop-down menu. This is the cost report line item on which the allowable expense will be reported.
C. Description – Describe the items/goods purchased or leased from the related party. Examples include purchased office supplies, purchased letterhead, leased or purchased copier or computer (below depreciable value), etc. The entry of related-party lending/loans, contracted services and depreciable purchases or leases will be discussed in other Steps below.
D. Cost to Related Party – This amount should be the actual cost to the related individual or organization, not to exceed the price of comparable non-depreciable equipment and/or supplies that could be purchased or leased elsewhere in an arm's-length transaction.

2. Click "Save" to enter Business Component and Cost Area Allocation(s)

The available business components are limited to the businesses and contracts entered in **Step 3**. If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to **Step 3.b.** and enter the missing business component data. Allocate or direct cost all costs reported for the Related Party/Organization under Cost to the Related Party to a business component before proceeding. If allocated, an allocation method must be chosen, and an allocation summary uploaded.

A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, drop-down menu does not appear, and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Cost Area information for each business component. Choose and Click "Add Record" until all business components to which this expense will be allocated have been added.

3. Enter all Cost Area Information

A. Cost to Related Party – On the grey bar, enter the cost allocated or direct costed to each business component.
B. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See **Step 8.f.** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration. See Definitions, *Central Office*.
C. Cost to Related Party – Enter the cost to the related party direct costed or allocated to this cost area within the business component.
D. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
E. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.

Step 8.c. Related-Party Loans

Report in this Step any related-party loans from individuals or organizations. Actual interest properly accrued and paid on related-party loans is an allowable cost, but is limited to the interest that would have been charged during the reporting period had the interest rate on the loan been set at the prevailing national average prime interest rate in effect at the time at which the loan contract was finalized, as reported by the United States Department of Commerce, Bureau of Economic Analysis, in the Survey of Current Business. The best and quickest source of prime interest rate information is the Federal Reserve Bank of St. Louis Web Site (http://www.stlouisfed.org/) under Research and Data, FRED® (Federal Reserve Economic Data) Economic Data, Categories, Interest Rates, and Prime Bank Loan Rate. This data series extends back to 1949 and is updated monthly.

1. Click "Add record"

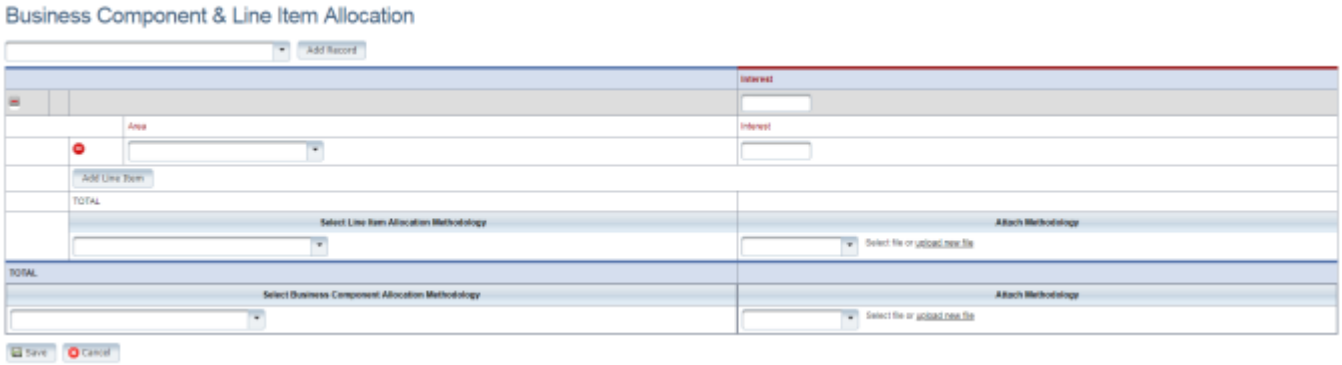
All columns must be completed for each related individual or organization.
A. Name of Related Party/Organization – Enter the name of the related party or organization from whom the contracted provider purchased or leased equipment and/or supplies. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If

the contracted provider is a partnership, the related organization could be one of the partners.

B. Description – Must be chosen from the drop-down menu – either Mortgage Interest or Other. This is the line item on which the allowable cost will appear in the cost report.
C. Please describe – If "Other" was chosen for B above, describe the type of loan.
D. Inception Date – Month and year the loan was effective.
E. Loan Amount – This should be the total amount of the loan.
F. Term – Duration of the loan in months.
G. Interest – Allowable interest paid during the reporting period.

2. Click "Save" to enter Business Component and Cost Area Allocation(s)

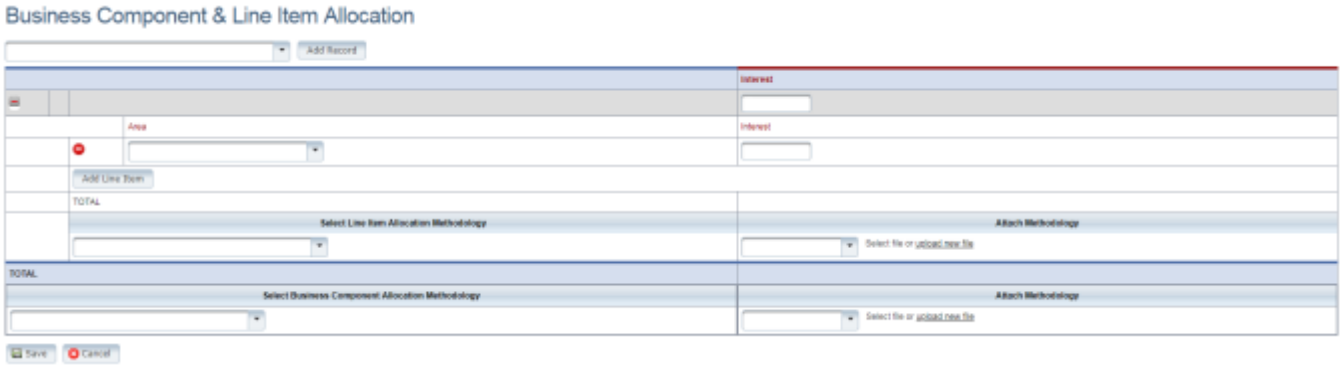
The available business components are limited to the businesses and contracts entered in **Step 3.** If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to **Step 3.b.** and enter the missing business component data. Allocate or direct cost all costs reported for the Related Party/Organization under Cost to the Related Party to a business component before proceeding. If allocated, an allocation method must be chosen, and an allocation summary uploaded.



A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, drop-down menu does not appear, and the single business component is automatically entered under business component.

B. Click "Add Record" – Generates additional lines to record Cost Area information for each business component. Choose and Click "Add Record" until all business components to which this interest expense will be allocated have been added.

3. Enter all Cost Area Information



A. Interest – On the grey bar, enter the allowable interest expense allocated or direct costed to each business component.

B. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See **Step 8.f.** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration. See **Definitions**, *Central Office*.

C. Interest – Enter the allowable interest expense direct costed or allocated to this cost area within the business component.

D. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.

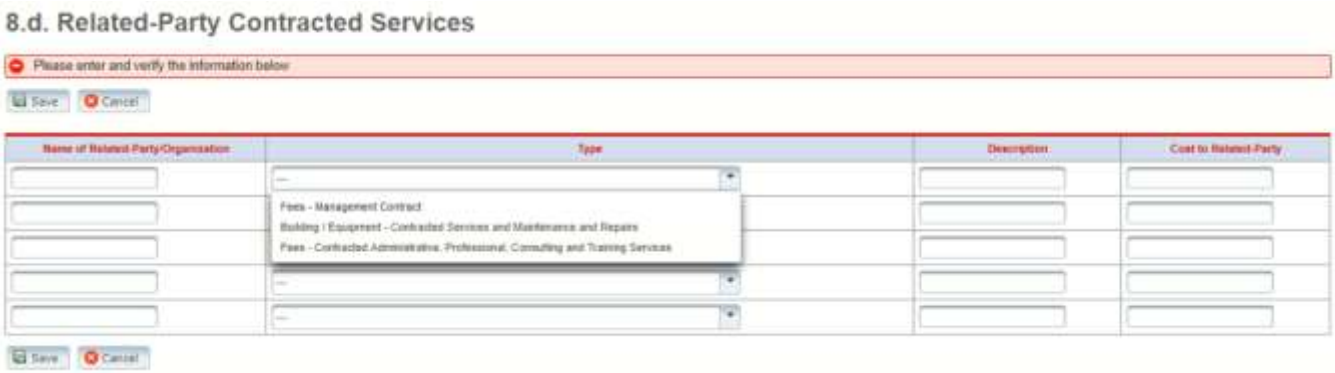
E. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.

Step 8.d. Related-Party Contracted Services

In this step, report the purchase of services, such as: accounting, legal and consulting services, from a related-party organization or an individual who is NOT an employee of the contracted provider. If the related individual IS AN EMPLOYEE of the contracted provider, a controlling entity, or other related entity, do not complete this Step, but rather complete **Step 6.b**. If reporting a related individual who is providing, as contract labor, activities which are typically performed by employee staff (e.g. Attendant and Nonattendant staff services, Program Administration staff services, etc.), complete **Step 6.b**.

Note: Step 8.d. is just for related party consultants and accountants (etc.) but not management. Contracted Management should be entered in **Step 8.f.**

1. Click "Add record"



All columns must be completed for each related individual or organization.

A. Name of Related Party/Organization – Enter the name of the related party or organization from whom the contracted provider purchased services as described above. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.
B. Type – must be chosen from the drop-down menu. This is the line item on which the allowable cost will appear in the cost report.
C. Description – Describe the services purchased from the related-party organization or individual. Examples may include data processing services, legal services, accounting services, management consulting services, medical director, accountant, building maintenance, and lawn maintenance.
D. Cost to Related Party – This amount should be the actual cost to the related individual or organization providing the services, not to exceed the price of comparable services that could be purchased elsewhere in an arm's-length transaction.

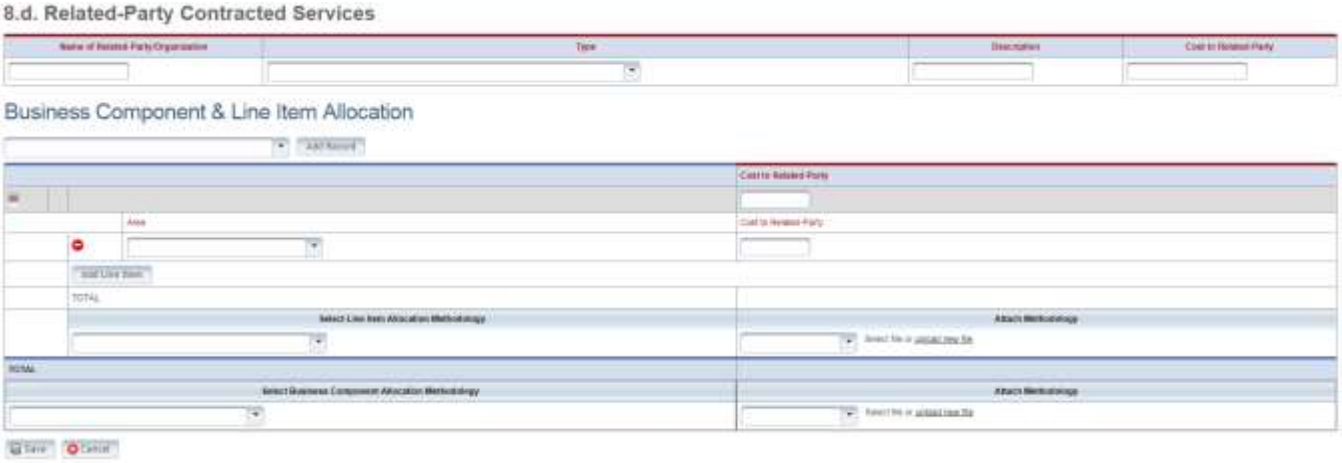
2. Click "Save" to enter Business Component and Cost Area Allocation(s)

The available business components are limited to the businesses and contracts entered in **Step 3**. If a business component that should receive a portion of the allocated cost of the service(s) is not on the list, then the preparer should return to **Step 3.b.** and enter the missing business component data. Allocate or direct cost all costs reported for the Related Party/Organization under Cost to the Related Party to a business

component before proceeding. If allocated, an allocation method must be chosen, and an allocation summary uploaded.

A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, drop-down menu does not appear, and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Cost Area information for each business component. Choose and Click "Add Record" until all business components to which this expense will be allocated have been added.

3. Enter all Cost Area Information



A. Cost to Related Party – On the grey bar, enter the cost allocated or direct costed to each business component.
B. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See **Step 8.f.** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration. See **Definitions**, *Central Office*.
C. Cost to Related Party – Enter the cost to the related party direct costed or allocated to this cost area within the business component.
D. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
E. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.

Step 8.e. Depreciation Expense and Related-Party Lease/Purchase of Depreciable Assets

Purpose

To report Depreciable Assets for Related-Party and Non-Related Parties.

For cost-reporting purposes, Depreciate property and assets owned by the contracted provider and improvements to the provider's owned, leased, or rented property that are valued at $5,000 or more with an estimated useful life of more than one year at the time of purchase. Any single item costing less than $5,000 should be expensed and reported as supplies in the applicable cost area. For example, a non-depreciable calculator and a non-depreciable bookshelf would be reported as Operations Supplies.

Depreciation for depreciable items must be calculated using the appropriate Steps of the cost report.

For depreciable assets leased from a related party, all costs to be entered are the cost to the related party, not payments by the contracted provider to the related party. For depreciable assets purchased from a related party, the cost entered must be the cost to the related party and not the amount actually paid by the contracted provider for the asset purchased.

The asset type chosen on **Step 8.e.** will determine the line item on which the allowable cost will appear in the cost report. The various types of assets include:

A. ***Depreciation: Buildings and Building Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization***
    i. ***Buildings and Building Improvements:*** structures (and depreciable improvements to those structures) consisting of building shell or frame, building components, exterior walls, interior framing, walls, floors, and ceilings. The building cost can also include a proportionate share of architectural, consulting, and interest expense (incurred during the construction of the building, not mortgage interest) associated with a newly constructed or renovated building (including major additions). Buildings do not include central air conditioning systems and trade fixtures, unless they were part of the building when purchased/renovated. Building improvements that are structural in nature (renovations) should be depreciated as if they were a building. Such improvements should be assigned a life of at least 30 years and a salvage value of at least 10%. When a portion of a building is renovated and all parts of the renovation are placed in service at or about the same time, the renovation should be depreciated as a single depreciable asset over 30 years and not over the estimated life of each of its components. Building improvements that are not structural in nature and do not extend the depreciable life of the building, but whose estimated useful lives are longer than the remaining depreciable life of the building, must be depreciated over the normal useful life of the building improvements. Providers who rent or lease their building

must report any building improvement depreciation as leasehold improvement depreciation.

ii. ***Building Fixed Equipment:*** any equipment which is attached to the building and is intended to be permanent, such as central air conditioning systems and trade fixtures. Providers who rent or lease the facility must report any building fixed equipment depreciation as leasehold improvements depreciation.

iii. ***Leasehold Improvements:*** improvements a lessee makes to a leased building. These improvements are attached to the building or land in a permanent way. They become the property of the lessor when the lease is terminated. Examples of leasehold improvements are permanent trade fixtures, additions, and betterments. All building equipment and land improvements purchased by a lessee, that are valued at $5,000 or more at the time of purchase with an estimated useful life of more than one year must be classified as a leasehold improvement and amortized. Leasehold improvements whose estimated lives are longer than the lease term must be amortized over the life of the leasehold improvement.

iv. ***Land Improvements:*** assets found on the land area contiguous to, and designed for serving, the contracted provider such as fences, sidewalks, driveways, parking lots, etc. The asset can include a proportionate share of the architectural, consulting, and interest expense associated with newly constructed or renovated buildings. Providers who rent or lease the facility must report land improvement depreciation as leasehold improvement depreciation.

v. ***Research and Development (R&D), Organizational and Start-up:*** must be amortized over a period of at least sixty months. R&D costs include those costs related to determining the business feasibility of obtaining a contract and can include costs such as demographic research and consulting fees. Organizational costs may include costs such as legal fees, state incorporation fees, stock certificate costs, underwriting costs, and office expenses incident to organizing the company. Start-up costs include those costs related to employee training, licensing, utilities, facility cleaning, and other preparations that are incurred before the first individual (whether Medicaid or non-Medicaid) is admitted to the program. Startup costs do not include capital purchases, which are purchased assets meeting the criteria for depreciation as described in the Cost Determination Process Rules. Any costs that are properly identifiable as capitalizable construction costs must be appropriately classified as such and excluded from startup costs. *Costs related to care for individuals that are incurred after the first individual is admitted, but before the provider is Medicaid-certified, are unallowable costs.*

B. Depreciation: Departmental Equipment: any equipment capable of being moved from one site to another, such as all types of furniture, appliances, office machines, and any other items of equipment which are necessary operating assets.

C. Depreciation: Transportation Equipment: equipment used for the transport of individuals in care, staff or materials and supplies utilized by the provider in the provision of contracted care. Depreciation expenses for transportation equipment not generally suited or not commonly used to transport individuals in care, staff, or provider supplies are unallowable costs. This includes motor homes and recreational

vehicles, sports automobiles, motorcycles, heavy trucks, tractors and equipment used in farming, ranching and construction. Lawn tractors are to be reported as departmental equipment.

D. (For related-party only) Rent/Lease - Building and Building Equipment: includes the assets in A) i. through iv. above that are rented or leased from a related party. Additional expense types for possible building-related costs to the related-party are optional entries.

- *i.* Mortgage Interest – Mortgage interest for the property leased to the contracted provider that was properly accrued and paid by the related party.
- *ii.* Interest-Other – Other interest expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.
- *iii.* Property Tax – Property tax payments for the property leased to the contracted provider that were properly accrued and paid by the related party.
- *iv.* Insurance Expense – Insurance expenses for the property leased to the contracted provider that were properly accrued and paid by the related party.
- *v.* Other Expense – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.

E. ***(For related-party only) Rent/Lease – Departmental Equipment:*** includes the assets in b) above. Additional expense types for possible departmental equipment-related costs to the related-party are optional entries.

- *i.* Interest-Other – Other interest expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.
- *ii.* Other Expense – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.

F. (For related-party only) Rent/Lease – Transportation Equipment: includes the assets in c) above. Additional expense types for possible departmental equipment-related costs to the related-party are optional entries.

- *i.* Transportation-Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other – Enter here only the Interest, Insurance and/or Repair and Maintenance expenses directly related to the transportation equipment leased to the contracted provider that were properly accrued and paid by the related party.
- *ii.* Other Expense – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the related party.

NOTES

Allowable depreciation expense includes <u>only pure straight-line depreciation</u>. No accelerated or additional first-year depreciation is allowable.

Minimum useful lives must be consistent with "Estimated Useful Lives of Depreciable Hospital Assets", published by the American Hospital Association (AHA) (2018 Version Item Number - Item No. 061189 ISBN: ISBN: 978-1-55648-386-8). Copies of this publication may be obtained by contacting:

Mail: AHA Services, Inc.; P.O. Box 933283; Atlanta, GA 31193-3283
Toll Free: 800-242-2626 Fax: 866-516-5817
Website: WWW.AHA.ORG/EUL

Include only assets of the contracted provider or its central office that are used directly or indirectly in the provision of resident care during the cost-reporting period. For shared central office depreciation, show the percentage allocated to the contracted provider for which the cost report is being prepared and cross-reference to the applicable allocation summary. For shared facility-level depreciation (e.g., depreciation of assets whose usage is shared between the contracted provider and another entity), show the amount allocated to the contracted provider by cost area and cross-reference the applicable allocation summary.

Required detail must be provided for each depreciable asset and each depreciable asset will be assigned a correct estimated useful life as required by 1 TAC §355.103(b)(7) (A-C).

Providers have an option of reporting in **Step 8.e.** each single capital asset and allowing the system to determine the straight-line depreciation amount applicable to the cost report or reporting the depreciation expense per category at the summary level by business component and line item. Providers must choose a depreciation method in **Step 2.** Once the cost report is certified, the provider cannot change the method of reporting depreciation. This method will carry from year to year. Note that any combined entity that includes a 24-Hour Residential Child Care contract will not be able to report capital assets on the summary level due to Title IV-E requirements. These providers must report all capital assets individually.

Reporting Capital Assets Individually:

Depreciable asset information automatically populates from year to year after the initial entry. After the first year, providers will only need to adjust allocations of shared assets to correctly report current year allocation percentages and add new assets. A provider with numerous assets may want to import their basic asset information. This information may be imported into STAIRS. See ***Appendix F.***

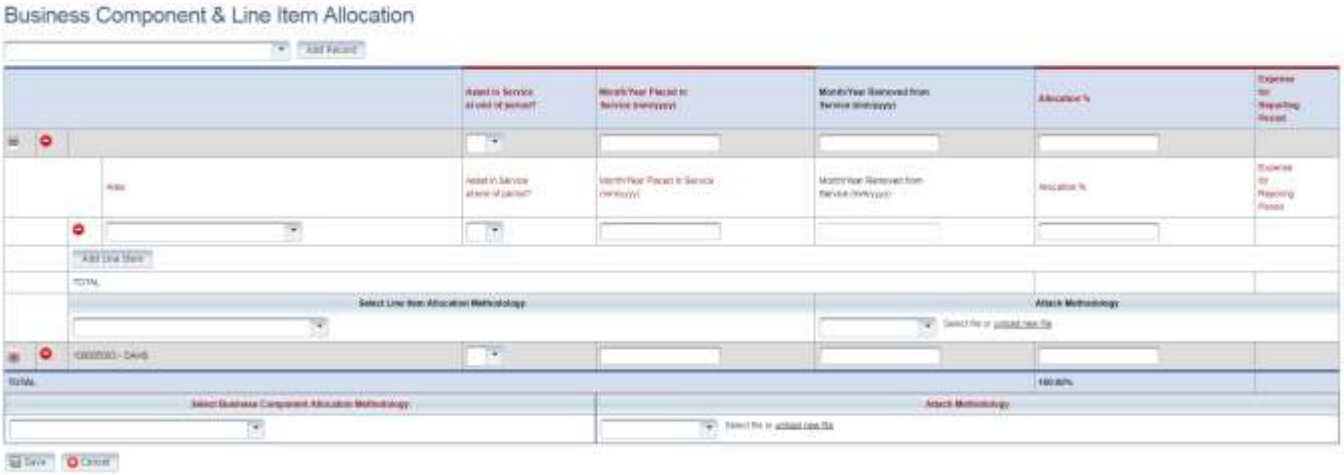
1. Click “Add Record”

A. Is this a shared asset? – Click “Yes” or “No”. If “Yes”, the preparer will be asked to allocate the asset between business components and cost areas after saving. If “No”, the system will automatically assign the asset to the current cost report.
B. Related-Party or Non-Related Party – Click “Related Party” if the asset was purchased or leased from a related party or “Non-Related Party” if the asset was purchased from a nonrelated party.
   NOTE - Only Related-Party leases are reported through the Depreciation web pageweb pageweb pages. Nonrelated-party leases are reported in **Step 8.f**.
C. Asset – This is the line item on which the allowable cost will appear in the cost report. If it is a related-party lease, then a drop-down menu with additional expense types will be available for entry of related-party cost.
D. Code (optional) – For internal provider use.
E. Description of Asset – This will be chosen from a drop-down menu populated from the AHA Guide discussed in Years of Useful Life below. If the preparer does not find the type of asset and cannot determine a close match, contact HHSC PFD to determine if a new asset type should be added.
   NOTE: If Building is selected, a drop-down menu will request an address. If the building is being leased (related parties only), a lease agreement must be uploaded.
F. Asset in Service at end of Period? – Click “Yes” or “No” to note whether this item was in service at the end of the cost reporting period. If “Yes”, enter the Month / Year placed in service. If “No”, enter the Month / Year placed in service and the Month / Year removed from service.
G. Years of Useful Life – The time period over which the asset must be depreciated. STAIRS populates this based on the Description entered in E. above for all assets except Used Vehicles. For Used Vehicles, determine the required useful life and enter that. Per 1 TAC 355.103(b)(7)(C)(ii), “The estimated life of a previously owned (used) vehicle is the longer of the number of years remaining in the vehicle's depreciable life or three years.
H. Historical Cost – The cost of acquiring the asset and preparing it for use. Does not include goodwill or, for buildings, the cost of the land (land is not a depreciable item).

I. Salvage Value – This amount will be calculated automatically. Salvage value is the estimated residual value of the asset for scrap or salvage after its useful life has ended. All buildings must have a minimum salvage value of at least 10% of historical cost for Medicaid cost-reporting purposes. No other salvage values are required.
J. Depreciation Basis – Calculated figure equal to H minus I.
K. Prior Period Accumulated Depreciation – Calculated figure. Based on date placed in service and calculation of depreciation on the Depreciation Basis from that date to the beginning date of the cost reporting period.
L. Depreciation for Reporting Period – Calculated figure. Based on the date placed in service, the beginning date of the cost reporting period, any date entered as Month/Year removed from service) and the remaining useful life.
M. Total Expense for Reporting Period – Calculated figure. For Related-party leases, this will include costs from C. **d) – f)** above, as well as the depreciation on the asset.

2. Click "Save" to enter Business Component and Cost Area Allocation(s)

Business Component – The available business components are limited to the businesses and contracts entered in **Step 3**. If a business component that should receive a percentage of the asset or related-party leased items is not on the list, then the preparer should return to **Step 3.b.** and enter the missing business component data. Allocate or direct cost 100% of the asset costs a business component before proceeding. If allocated, an allocation method must be chosen, and an allocation summary uploaded.



A. Business Component – The drop-down menu includes all business components for the provider entity. If provider entity only has one business component, the drop-down menu does not appear, and the single business component is automatically entered under business component.
B. Click "Add Record" – Generates additional lines to record Cost Area information for each business component. Choose and Click "Add Record" until all business components to which this expense will be allocated have been added.
C. Information in the Business Component Grey Bar –

a) ***Asset in Service at end of period? –*** The response for the business component will default to "Yes" if the Asset information above states that the asset itself was in service at the end of the period. This entry field allows for the possibility that the asset is taken out of service for a single business component, but not for all. The allocation of an asset may also change throughout a year. This question allows for flexibility in how asset allocation may change throughout a year.

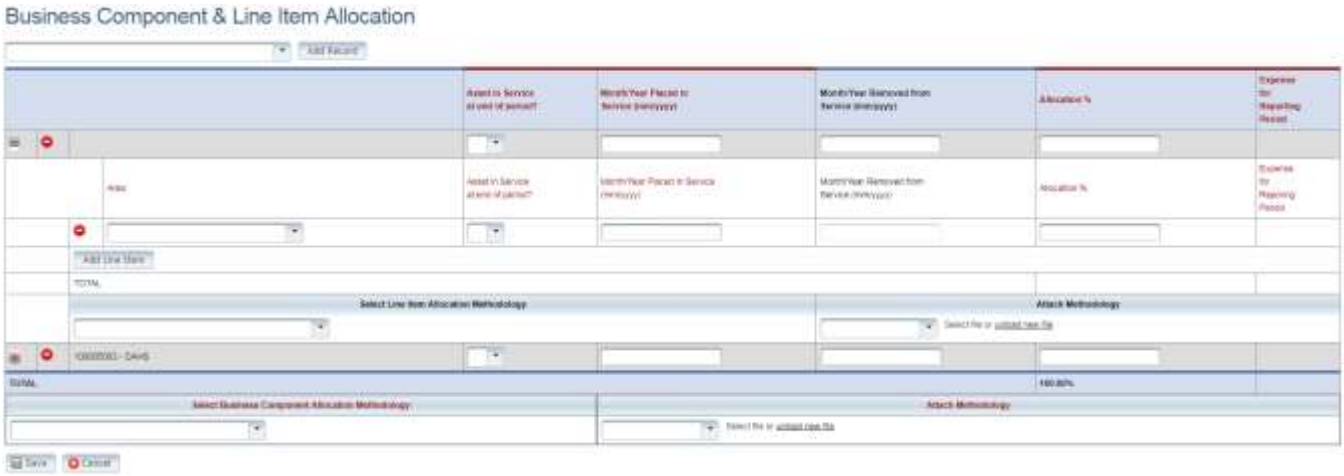
b) ***Month/Year Placed in Service (mm/yyyy) –*** Enter the month and year the asset was initially placed in service for depreciation purposes for this specific business component.

c) ***Month/Year Removed from Service (mm/yyyy) –*** If the asset was removed from service for this business component during the current year, then enter the month and year that the asset was removed from service.

d) ***Allocation % –*** The percentage of the costs to be allocated to this specific business component.

e) ***Expense for Reporting Period –*** Calculated figure based on the percentage(s) entered.

3. *Enter all Cost Area Information*



A. Area – The dropdown menu for "Area" includes all cost areas reportable in this cost report. See **Step 8.f.** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office which can be directly charged to the contracted provider should be reported as Program Administration. See Definitions, *Central Office*.

B. Asset in Service at End of Period? – The response for the cost area will default to "Yes" if the business component information above states that the asset itself was in service at the end of the period. This entry field allows for the possibility that the asset is taken out of service for a single cost area, but not for all. The allocation of an asset may also change throughout a year. This question allows for flexibility in how asset allocation may change throughout a year.

C. Month/Year Placed in Service – Enter the month and year the asset was initially placed in service for depreciation purposes for this specific cost area.

D. Month/Year Removed from Service – If the asset was removed from service for this cost area during the current year, then enter the month and year that the asset was removed from service.
   - The two lines above (C and D) also allow for changes in allocation percentages throughout the year. By entering an end date at the point where the allocation changes and adding an additional record with a new 'placed in service date' for the new allocation period, the usage changes will be considered in the calculation of the depreciation below.
E. Allocation % – The percentage of the costs to be allocated to this specific cost area.
F. Expense for Reporting Period – Calculated figure based on the percentage(s) entered.
G. Cost Area Allocation Methodology – If allocated to multiple cost areas, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
H. Business Component Allocation Methodology – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.

Step 8.f. Non-Related Party Facility, Operations, Administrative and Other Direct Care Costs

Purpose

To collect all facility and operations costs.

This table consists of a column for the Line-Item Names, three columns for Nonrelated-Party Cost Areas and three columns for Related-Party Cost Areas, a column to total all expenses in each line item and a column for notes. The three columns each for Nonrelated- and Related-Party Cost Areas correlate to the Program Administration & Operations and Central Office, plus a Total. Report Facility and Operations if the Provider has a Program Administration office. Report the specific cost area as appropriate, even if building/facility costs are paid by/through a central office, the portion of the building/facility and operations costs directly related to the contracted provider. The Program Administration & Operations columns are intended for the reporting of facility and operations costs that directly support the contracts include in the Cost Report Group for which the cost report is being prepared. The Central Office column is intended to capture the allocated portion of shared (i.e., central office) administrative costs. It is important to report all costs in the correct cost area.

The first column of this table comprises all the Facility, Operations and Administration non-staff line items. Each of these line items will be discussed in detail below. Some of the items may be reportable only in certain cost areas. Where this is the case, the cost report will not allow entry in the cost area(s) where that type of expense may not be reported.

Cost Areas

Program Administration & Operations

- The Program Administration & Operations cost area is intended to capture administrative expenses associated with direct program management of the contracted provider itself. These are considered program administrative expenses and should be directly chargeable to the contracted provider. There should be no allocated costs reported in the program administration cost area, except for an administrator allocated from the central office.

Central Office

- The Central Office cost area is intended to capture the allocated portion of shared (i.e., central office) administrative costs. For example, if documentation supports allowable legal fees directly related to the management of the contracts included in the Cost Report Group, those legal fees should be reported in the Program Administration & Operations cost area. However, if the allowable legal fees were related to the corporation or related organization as a whole (e.g., general employee policies and procedures), the allocated portion would be reported in the Central Office cost area. If an outside accountant prepared the cost report for the contracted provider, the cost should be directly charged to the Program Administration & Operations cost area. If an outside accountant prepares financial statements for the parent company or sole member, the allocated portion of those costs applicable to the contracts include in the Cost Report Group must be reported in the Central Office cost area.
- Allowable central office costs include those costs necessary for the provision of care for contracted services in Texas and an appropriate share of allowable indirect costs. Costs that are unallowable to the contracted provider are also unallowable as central office costs. Central office costs must be reported at the actual cost to the central office with no markup.
- The Central Office cost area of the cost report is self-contained; meaning that all allocated costs associated with the central office are reported in that cost area and should not be reported anywhere else on the cost report.
- For details on allocating shared costs, see ***Appendix B.***

8.f. Non-Related-Party Facility, Operations, Administrative and Other Direct Care Costs - Entry

	Non-Related Party			Related Party				
Type	Program Admin & Operation	Central Office	Non-Related-Party Total	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Rent / Lease - Building and Building Equipment								
Rent / Lease - Departmental Equipment / Other								
Interest - Mortgage								
Insurance - Building and Equipment								
Taxes - Ad Valorem Real Estate								
Utilities & Telecommunications								
Building / Equipment - Contracted Services and Maintenance and Repairs								

	Non-Related Party			Related Party				
Type	Program Admin & Operation	Central Office	Non-Related-Party Total	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Depreciation - Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization								
Depreciation - Departmental Equipment								
Operations Supplies								
Depreciation - Transportation Equipment								
Rent / Lease - Transportation Equipment or Contracted Transportation Services								
Transportation - Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other								
Staff Training / Seminars - Non-Admin Staff								
Staff Training / Seminars - Admin								

	Non-Related Party			Related Party				
Type	Program Admin & Operation	Central Office	Non-Related-Party Total	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Insurance - Liability								
Travel (not to include mileage reimbursement)								
Fees - Management Contract								
Fees - Contracted Administrative, Professional, Consulting and Training Services								
Licenses and Permits								
Interest - Other								
Taxes - Texas Corporate Franchise Tax								

	Non-Related Party			Related Party				
Type	Program Admin & Operation	Central Office	Non-Related-Party Total	Program Admin & Operation	Central Office	Related-Party Total	TOTAL	Notes (optional)
Taxes - Other (describe)								
Staff Medical Supplies, Activity Supplies and Emergency Personal Care Supplies								
Housekeeping								
Food, Beverages and Food Supplies (flatware, utensils, detergent, etc)								
Contracted Food Services (provide explanation)								
Other Food and Food Services Expenses								
Advertising								
Dues and Memberships								
Other (describe)								
TOTAL								

Save | Save and Return | Cancel

Line items will accept entry into various nonrelated-party cost areas depending on the line item type. Depreciation expense does not accept direct entry because all depreciation is entered in **Step 8.e**. Certain line items are considered indirect costs only and can only be entered in the Program Administration or Central Office cost areas. All related-party facility and operations expense transactions must be entered in the appropriate Step of STAIRS and will be transferred onto this web pageweb page.

1. <u>Rent/Lease – Building and Building Equipment</u>
   A. Report building and building equipment lease/rental costs in this item.

B. If the rental/lease of a building is from a related party, do not enter directly here. The lease and related costs must be entered in **Step 8.e**. The calculated cost to the related party will be transferred here.
C. If the rental/lease of building equipment is from a related party, do not enter directly here. The lease must be entered in **Step 8.b.** if the building equipment is non-depreciable (items costing less than $5,000 or with a useful life of less than one year) or **Step 8.e.** if the building equipment is depreciable (items with a cost of $5,000 or more and a useful life of more than one year).
D. Lease deposit payments are not allowable costs at the time of payment. If the total amount of the deposit is not refunded at the specified time noted in the lease, the amount of deposit not refunded and used for allowable costs is allowable for cost-reporting purposes at that time. Lease deposits made for remodeling and purchase of replacement items/fixtures are not allowable costs at the time of payment. If the total amount of the deposit is not refunded at the specified time noted in the lease, the amount of deposit not refunded and used for allowable remodeling and purchase of replacement items/fixtures is allowable for reporting as repairs/maintenance or depreciation, whichever appropriate.
E. Lease payments made for goodwill (see **Definitions**, *Goodwill*) are not allowable costs.

2. Rent/Lease – Departmental Equipment/Other – Report the lease/rental costs of departmental equipment. Departmental equipment would include items such as telephone systems, pagers, facsimile (FAX) machines, photocopiers, and computers.
   A. If the rental/lease is from a related party, do not enter directly here. The lease and related costs must be entered either in **Step 8.b**. if the departmental equipment is non-depreciable (items costing less than $5,000 or with a useful life of less than one year) or **Step 8.e.** if the departmental equipment is depreciable (items with a cost of $5,000 or more and a useful life of more than one year).
3. Interest – Mortgage – See 1 TAC §355.103(b)(8). Reasonable and necessary interest on current and capital indebtedness is an allowable cost.
   A. Report the interest expense accrued during the reporting period from the purchase of a facility (i.e., mortgage interest) in this item. If the provider is a nonprofit entity and issued bonds for the purchase of the facility, report the bond issuance costs in this item.
   B. If a related party funded the loan, do not enter directly here. Enter through **Step 8.c.**
   C. Late payment fees and penalties are unallowable costs.
   D. Interest on vehicle loans should be reported in Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other below.
   E. Interest on working capital loans, departmental equipment loans, loans for the purchase of building improvements, building renovations, and building equipment and other operational notes should be reported in Interest – Other below.
4. Insurance – Building and Equipment
   A. Costs for insurance premiums for buildings, contents, and grounds must be reported with amounts accrued for premiums, modifiers, and surcharges and net of any refunds and discounts actually received or settlements paid during the

same cost-reporting period (i.e., the premiums are accrued and related expenses are reported on a cash basis).

B. Self-insurance is a means whereby a contracted provider undertakes the risk to protect itself against anticipated liabilities by providing funds in an amount equivalent to liquidate those liabilities. Self-insurance can also be described as uninsured. See 1 TAC §355.103(b)(13)(B) for additional requirements. Contributions to self-insurance funds or reserves that do not represent payments based on current liabilities are unallowable costs. The amount of allowable insurance costs may also be subject to a cost ceiling. See also 1 TAC §355.103(b)(13)(E) and ***Appendix E.***

5. Taxes – Ad Valorem Real Estate – See 1 TAC §355.103(b)(12). Report in this item the cost of ad valorem real estate taxes related to Program Administration and/or Central Office buildings. Tax expenses must be reported on an accrual basis for the cost-reporting period only. If a tax statement covers any period of time outside the cost-reporting period, the cost must be prorated so that the amount reported on the cost report represents only the cost-reporting period.
   A. Texas corporate franchise taxes are reported in Taxes – Texas Corporate Franchise Tax below.
   B. Personal property taxes and other operational taxes are reported in Taxes – Other below.
6. Utilities & Telecommunications -
   A. Biohazard Waste
   B. Electricity, Gas, Water, Wastewater, Garbage. See 1 TAC §355.103(b)(8). For utility costs to be allowable on the Cost Report, the utilities must be used directly or indirectly in the provision of contracted services. Report the costs associated with buildings in the appropriate area.
   C. Telecommunications utility costs associated with the contracts include in the Cost Report Group are reported here. Telecommunications refers to the cost for internet service, telephone, pager, and facsimile service only and not the cost of purchasing, leasing, or maintaining the associated equipment.
7. Building/Equipment – Contracted Services and Maintenance and Repairs
   A. Report expenses for contract services relating to building/grounds repairs and maintenance (including contracted janitorial services, contracted fire alarm inspections, and contracted lawn services) here. See 1 TAC §355.103(b)(10)(B).
   B. Report maintenance supplies related to facility maintenance and non-depreciable repairs and maintenance costs associated with buildings, building equipment and grounds in this item. See 1 TAC §355.103(b)(9) (A-B).
   C. Maintenance and Repairs – Report the applicable amount of building and equipment maintenance and repair expenses related to the contracts include in the Cost Report Group. For cost-reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs.
      a. Ordinary repairs and maintenance are defined as outlays for parts, labor, and related supplies that are necessary to keep an asset in operating condition, but neither add materially to the use value of the asset nor prolong its life appreciably. Ordinary repairs include, but are not limited to, painting, wallpapering, copy machine repair, or repairing an electrical circuit.
      b. Extraordinary or major repairs involve relatively large expenditures, are not normally recurring, and usually increase the use value or the service life of an asset beyond what it was before the repair. Extraordinary repairs include,

but are not limited to, major improvements in a building's electrical system, carpeting an entire building, replacement of a roof, or strengthening the foundation of a building. Extraordinary repairs that cost $2,500 or more and have a useful life in excess of one year may not be reported directly in this item. They must be capitalized and depreciated by reporting in **Step 8. e.** See §355.103(b)(9) (A-B).

8. Depreciation – Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization – Enter all buildings, 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 in **Step 8.e.**. The calculated depreciation will be transferred here.
9. Depreciation – Departmental Equipment – Enter all departmental equipment with a cost of $5,000 or more and a useful life of more than one year in **Step 8. e.** The calculated depreciation will be transferred here.
10. Operations Supplies – for all items of cost, report only net expenses, meaning gross expenses less any purchase discounts, rebates, returns or allowances.
    A. Hepatitis B vaccinations, TB tests, Chest X-rays, Drug Tests, and Physicals – Report under either Program Administration or Central Office (when a properly allocated cost of the Central Office) supplies used to administer Hepatitis B vaccinations to provider staff, as well as costs related to tuberculosis (TB) tests, chest x-rays, drug tests, and physicals.
    B. Non-depreciable Equipment – Report items which cost less than $5,000 or have a useful life of less than one year as supplies. Report here such non-depreciable equipment used for services (i.e., nursing, medical records, staff training and central supply), for program administration and the allocated portion of central office supplies.
        a. Small equipment that costs $5,000 or more and has a useful life of more than one year is considered Departmental Equipment and should be entered as such in **Step 8.e.**
        b. Non-depreciable equipment purchased or leased from a related party may not be reported here directly. Enter in **Step 8.b.** and the allowable costs will be transferred here.
    C. Employee benefits not subject to payroll taxes, such as uniforms or non-wage incentives may be reported here in the appropriate cost area.
    D. Supplies, Nursing and Medical – Report here supplies including, but not limited to, tongue depressors, swabs, Band-Aids, cotton balls, alcohol, and nursing reference books. Report nursing forms and medical records supplies in this item.
        a. Supplies which are chargeable to Medicare or sources other than Medicaid are not to be included on this item.
    E. Supplies, Office – Report office supplies in each setting as appropriate.
    F. Supplies, Operational – include non-depreciable equipment required to maintain and repair departmental equipment, garbage cans/bags, and cleaning supplies used to keep operational areas clean.
11. Depreciation – Transportation Equipment – Enter all transportation equipment with a cost of $5,000 or more and a useful life of more than one year in **Step 8. e.** The calculated depreciation will be transferred here. The depreciation amount for Luxury Vehicles is $48,253 for 2021.
12. Rent/Lease – Transportation Equipment or Contracted Transportation Services –

A. Report transportation equipment lease/rental costs in this item.
B. Nonrelated-party rental or lease that is not a capital lease is reported here. All related-party rentals and leases and all capital leases, whether related party or not, for transportation equipment that costs $5,000 or more and has a useful life of more than one year must be reported through **Step 8.e.**
C. Non-depreciable transportation equipment (costing less than $5,000 or with a useful life of less than one year) rented or leased from a related party, must be reported through **Step 8.b.**
D. Contracted Transportation Services – may be a contract with a local taxi company to transport individuals, monthly passes for individuals on the bus system or other contracts to provide transportation of individuals.

13. Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other – Report transportation expenses related only to the delivery of services. If a vehicle is used for both personal and business use, vehicle logs must be maintained to document and remove expenses related to the personal use.

    Grants and contracts from the federal, state, or local governments, such as transportation grants or Housing and Urban Development Grants, should be offset, prior to reporting on the cost report, against the cost or group of costs for which the grant was intended. For example, if a grant was received from the Texas Department of Transportation (TX DOT) to assist in the purchase of a van, the amount of the grant would be deducted from the cost of the van and only the remaining cost, if any, reported on the cost report as a depreciable asset.

    A. Insurance, Vehicle – Report the cost for insurance premiums or, in cases of self-insurance, allowable paid claims for vehicles. Report only the portion of the insurance expense directly related to the contracts include in the Cost Report Group. See Insurance – Building and Equipment above for details on proper reporting of Insurance expense.
    B. Interest, Vehicle Loans – Report the interest from loans for vehicles or for repairs/maintenance of vehicles used in the program. If a related party funded the loan, do not enter directly here. Enter through **Step 8.c**.
    C. Property Tax, Vehicles - Report any property tax paid on vehicles used in the program.
    D. Maintenance, Repairs, Gas and Oil – Report the applicable amount of automobile expenses related to this program. Personal use of vehicles must be documented and removed from the cost report. For cost-reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs.
        a. Ordinary transportation equipment repairs, and maintenance are defined as outlays for parts, labor, and related supplies that are necessary to keep an asset in operating condition, but neither add materially to the use value of the asset nor prolong its life appreciably. Ordinary repairs include tune-ups, oil changes, cleaning, inspections, and replacement of parts due to normal wear and tear (such as tires, brakes, shocks, and exhaust components). Ordinary repairs may be expensed in the year the expense is accrued and reported directly in this item.
        b. Extraordinary or major vehicle repairs involve relatively large expenditures, are not normally recurring, and usually increase the use value or the service life of an asset beyond what it was before the repair. Extraordinary repairs

include such things as engine and transmission overhaul and replacement. Extraordinary repairs that cost $1,000 or more and have a useful life in excess of one year may not be reported directly in this item. They must be capitalized and depreciated by reporting in **Step 8.e.** See §355.103(b)(9) (A-B).

E. Other Transportation Expenses – Expenses such as license tags, parking fees and tolls should be reported in this item. Parking fines or penalties are not allowable costs and should not be in this cost report. Provide an itemization of each category of expense and its associated dollar amount in the Notes section.

14. Staff Training/Seminars – To be allowable, the training must be located within the state of Texas (unless not available in Texas) and be related directly and primarily to the job being performed by the staff person attending the training.
    A. For training conducted within the provider setting, allowable training costs include, but are not limited to, instructor and consultant fees, training supplies, and visual aids.
    B. For off-site training, allowable costs include costs such as allowable travel costs (which are to be reported in 2021. Travel, below), registration fees, seminar supplies, and classroom costs; and meet the other criteria detailed in 1 TAC §355.103(b)(15).
    C. Training/Seminar costs incurred for Program Administration and Operations and Central Office staff are reported in their respective cost areas.
    D. Costs for training outside the continental United States are unallowable.
15. Insurance – Liability – See 1 TAC §355.103(b)(13).
    A. Report the cost for insurance premiums for general liability and professional malpractice insurance paid to a nonrelated insurance company in this item, but only in Program Administration and/or Central Office as appropriate. As well, report the premiums paid to a risk retention group registered with the Texas Department of Insurance.
    B. Costs related to errors and omissions (liability) insurance for board members are allowable.
    C. Costs paid to a related-party insurance company for liability insurance will not be reported directly in this item. Report those costs through **Step 8.d**.
    D. Report the cost for paid claims, deductibles and co-insurance for general liability and professional malpractice insurance. The cost of claims paid under a captive insurance arrangement must be reported here. If this is, or may be, a self-insurance situation, see ***Appendix E.***
16. Travel (not to include mileage reimbursement) –
    For purposes of training, allowable travel must be within the state of Texas (unless not available in Texas), be related directly and primarily to the job being performed by the staff person attending the training, and meet the other criteria detailed in 1 TAC §355.103(b)(15).

    Other than mileage reimbursement, which is to be reported in **Step 6** with the costs for the various staff types, allowable travel for purposes other than training must be related directly and primarily to the job being performed by the staff person. Such travel must be within the state of Texas except for travel for the purpose of delivering direct contracted client services within 25 miles of the Texas border with adjoining states or Mexico; or the purpose for the travel is to conduct business related to contracted client services in Texas and the travel is between

Texas and the contracted provider's central office. All costs for travel outside the continental United States are unallowable costs, with the singular exception of travel required for the delivery of direct contracted client services within 25 miles of the Texas-Mexico border.

The maximum for lodging per diem and meals per diem costs is 150% of the General Services Administration (GSA)'s federal travel rates to determine the maximum lodging and meals reimbursement rates. The GSA's website is:

http://www.gsa.gov/portal/category/21287

Once the provider accesses this website, they must select the correct time period from the "Find rates for fiscal year" box, remembering that federal fiscal years begin in October and end in September. For example, federal fiscal year 2021 began October 1, 2020 and ended September 30, 2021.

After selecting the correct time period, the provider must click on the picture of the state of Texas, identify the maximum lodging and meals rates for the location of their travel lodging from the table, and multiply those amounts by 1.5. The results are the maximum allowable per diem for lodging (plus applicable city/local/state taxes and energy surcharges) and meals. Tips and alcoholic beverages are not allowable meal costs.

For locations not specifically listed on the GSA website, the maximum allowable lodging and meals per diem rates for cost-reporting purposes are based on the Standard rate (listed on the GSA website) multiplied by 1.5, plus any applicable city local/state taxes and energy surcharges.

17. Fees – Management Contract – See 1 TAC §355.103(b)(6) and §355.105(b)(2)(B)(xiii).
    A. 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 in the Cost Report Group, report the fees incurred here and upload a copy of the management agreement signed by all interested parties. If an expense is reported in this item, **Step 6.a.,** *Question 1 Do you have any contracted management costs to report?* must be "Yes".
    B. If the contracted manager was designated in **Step 6.a.** as a related party, do not enter those costs here. Allowable management fees paid to related parties for administrative services are limited to the actual costs (e.g., staff, supplies, materials, allocated building costs, allocated departmental equipment costs) incurred by the related-party manager for services provided. Related-party management costs must be reported as central office costs with no mark-up in the specific items related to the cost and must not be combined into one item.
18. Fees – Contracted Administrative, Professional, Consulting and Training Services – See 1 TAC §355.103(b)(2)(C).
    A. Contracted medical records services – Report here.

B. Contracted administrative services, such as clerical temporaries, printing services, copying services, and courier delivery services – Report here.
C. Report the cost of contracted professional services including allowable expenses related to accountants, attorneys, and data processing. Accounting fees for the preparation of income tax forms and returns are allowable costs; however, income taxes are not allowable costs. See 1 TAC §355.103(b)(2)(C) and §355.105(b)(2)(B)(viii). Professional service fees must be directly related to the activity of the provider only and directly or indirectly related to the provision of services included in the vendor payment.
D. Legal, accounting, and other fees and costs associated with litigation between a provider and a governmental entity are unallowable costs. Pursuant to 1 TAC §355.103(b)(2)(C)(ii) and §355.103(b)(20)(I), the costs of litigation that resulted in a court-ordered award of damages or settlements to be paid by the provider or that resulted in a criminal conviction of the provider are unallowable costs. Within the narrow range of circumstances where legal expenses are allowable on the Cost Report, adequate documentation must be maintained as described in §355.105(b)(2)(B)(viii). Expenses incurred because of imprudent business practices are unallowable.
E. Allowable expenses for workers' compensation administrative and legal expenses are to be reported here.
F. Allowable franchise fees should be reported here. Franchise fees are different from franchise taxes; see Taxes – Texas Corporate Franchise Tax below. Franchise fees that represent "goodwill" or other intangible services are not allowable. See 1 TAC §355.103(b)(20)(C).
G. Report seminar/conference registration fees as training and seminar costs in Staff Training/Seminar above.
H. The following costs are unallowable and are not to be reported on this cost report: "NSF" (insufficient fund) charges and other penalties; fees paid to members of the provider's board of directors; and administrative fines and penalties.

19. Licenses and Permits – Include fees for licenses and permits; and license fees paid on behalf of an employee (e.g., Administrator license)
20. Interest – Other (describe) - See 1 TAC §355.103(c)(1) and §355.105(b)(2)(B)(ix-x)
    A. Maintain adequate documentation and report the cost of interest paid on working capital loans (e.g., lines of credit). If a related-party funded loan, do not enter here directly. Enter through **Step 8.c**.
    B. The interest expense reported in this item must be offset by any interest income, and only the remaining interest expense, if any, reported here.
21. Taxes – Texas Corporate Franchise Tax – See 1 TAC §355.103(b)(12). Report the cost of Texas corporate franchise tax expenses for the cost-reporting period only. This item should not be blank if the provider is a corporate entity. If a tax statement includes any period of time outside the cost-reporting period, the cost must be prorated so that the amount reported on the cost report represents only costs associated with the cost-reporting period. Franchise taxes are different from franchise fees; allowable franchise fees are reported in Fees – Contracted Administrative, Professional, Consulting and Training Services above. Franchise taxes associated with states other than Texas are unallowable costs.
22. Taxes – Other (describe) – See 1 TAC §355.103(b)(12)(D).

A. Personal property taxes related to the contents of Program Administration office building(s) and other operational taxes associated with the Program Administration office building(s) only.
B. Unallowable taxes include federal, state, and local income taxes; excess profit or surplus revenue-based taxes; taxes levied on assets not related to the delivery of contracted services in Texas; pass-through taxes, such as sales tax collected and remitted; and tax penalties and interest. Self-employment taxes are unallowable. Taxes for which an exemption is available are unallowable.
C. Taxes in connection with financing, refinancing, or refunding operations, such as taxes on the issuance of bonds, property transfers, issuance or transfer of stocks are unallowable as a tax expense; however, such taxes are usually depreciated or amortized.
D. Ad valorem property taxes are reported in Taxes - Ad Valorem Real Estate above.
E. Texas corporate franchise taxes are reported in Taxes – Texas Corporate Franchise Tax above.

23. Advertising – See 1 TAC §355.103(b)(16) for a complete description of allowable and unallowable advertising and public relations expenses. Advertising expenses for recruitment of necessary personnel, yellow page listings 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.
24. Dues and Memberships – See 1 TAC §355.103(b)(14).
    A. Dues for membership in professional associations directly and primarily concerned with the provision of services for which the provider is contracted are allowable. Any portion of the cost for membership that is applied to lobbying or whose purpose is to fund lawsuits or any legal action against the state or federal government is not allowable.
    B. Dues for membership in purchasing organizations or buying clubs are limited to the prorated amount representing purchases made for use in providing contracted services.
    C. Subscriptions to newspapers, journals, and magazines whose content is primarily concerned with the provision of services for which the provider is contracted are allowable and should be reported in the cost area where the salaries of the employees using those subscriptions are reported (i.e. Program Administration and/or Central Office).
    D. Dues or contributions made to any type of civic, political, social, fraternal, or charitable organizations are unallowable. Chamber of Commerce dues are unallowable.
25. Other (describe) – Report here any costs that cannot be reasonably reported in any prior cost category. Any cost reported here should be adequately described. Costs related to boards of directors are unallowable, with the exception of travel costs incurred to attend meetings of the contracted provider's board of directors or trustees, within limits, (reported in Travel above) and errors and omissions (liability) insurance for board members (reported in Insurance – Liability above).

Note: Do not go to Step 9 until all Reports have been completed through Step 8.

Step 8.g. Facility and Operations Costs Summary

Purpose

This Step provides a summary of the Related and Non-Related-Party Costs entered through **Steps 8.b.-8. f.**

This view is more compact than the data entry in **Step 8.f**. The preparer may review these totals against the cost report preparation workpapers to assure that all costs are correctly captured.

8.g. Facility and Operations Costs Summary

	Related and Non-Related Party Summary		
Type	Program Admin & Operation	Central Office	TOTAL
Rent / Lease - Building and Building Equipment			
Rent / Lease - Departmental Equipment / Other			
Interest - Mortgage			
Insurance - Building and Equipment			
Taxes - Ad Valorem Real Estate			
Utilities & Telecommunications			
Building / Equipment - Contracted Services and Maintenance and Repairs			
	Related and Non-Related Party Summary		
Type	Program Admin & Operation	Central Office	TOTAL
Depreciation - Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization			
Depreciation - Departmental Equipment			
Operations Supplies			
Depreciation - Transportation Equipment			
Rent / Lease - Transportation Equipment or Contracted Transportation Services			
Transportation - Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other			
Staff Training / Seminars - Non-Admin Staff			
Staff Training / Seminars - Admin			
	Related and Non-Related Party Summary		
Type	Program Admin & Operation	Central Office	TOTAL
Insurance - Liability			
Travel (not to include mileage reimbursement)			
Fees - Management Contract			
Fees - Contracted Administrative, Professional, Consulting and Training Services			
Licenses and Permits			
Interest - Other			
Taxes - Texas Corporate Franchise Tax			
	Related and Non-Related Party Summary		
Type	Program Admin & Operation	Central Office	TOTAL
Taxes - Other (describe)			
Staff Medical Supplies, Activity Supplies and Emergency Personal Care Supplies			
Housekeeping			
Food, Beverages and Food Supplies (flatware, utensils, detergent, etc)			
Contracted Food Services (provide explanation)			
Other Food and Food Services Expenses			
Advertising			
Dues and Memberships			
Other (describe)			
TOTAL	$0	$0	$0

Save | Save and Return | Cancel

Step 9. Preparer Verification Summary

Purpose

The summary verification table shows the Total Reported Revenues and Total Reported Expenses entered into STAIRS. This step allows the provider to reconcile the Trial Balance and associated work papers.

How do we use this information?

This information is made available for verification purposes only. HHSC does not use this information.

How to complete Step 9

After all items for the cost report have been completed, the report is ready for verification. The summary verification web pageweb page shows the Total Reported Revenues and Total Reported Expenses entered into STAIRS. These figures should be checked against the preparer's work papers to assure that all intended non-HHSC revenues and expenses have been entered.

A link to the Preparer Verification Detail Report is included at the bottom of the page. This provides the detail of all units of service and expenses entered.

Once the preparer has determined that everything is entered correctly and that all appropriate documentation has been uploaded, the report can be verified. The preparer will check the box beside the phrase "I verify that the information entered is correct." Then click the Verify box at the bottom.

Steps 10 and 11. Preparer Certification and Entity Contact Certification

Purpose

Providers must certify the accuracy of cost reports submitted to HHSC. Providers may be liable for civil and/or criminal penalties if the cost report is not completed according to HHSC requirements or is determined to contain misrepresented or falsified information. Cost report preparers must certify that they have read the cost determination process rules, the reimbursement methodology rules, the cost report cover letter and cost report instructions, and that they understand that the cost report must be prepared in accordance with the cost determination process rules, the reimbursement methodology rules and cost report instructions.

A person with supervisory authority over the preparation of the cost report who reviewed the completed cost report may sign a certification page in addition to the actual preparer.

Per 1 TAC §355.105(b)(3).

How do we use this information?

HHSC uses this information to ensure that the report has been verified by the entity and preparer as per TAC rules.

How to complete Step 10 and 11

Certification pages cannot be printed for signing and notarizing until the report has been verified. If the report is reopened for any reason, any previously uploaded certifications will be invalidated and must be completed again.

A preparer should not print the Preparer and Entity Contact Certification pages. The cost report is completed and locked. If it is discovered that additional changes need to be made, the preparer must contact costinformationPFD@hhs.texas.gov for assistance getting the report(s) reopened.

These pages must be maintained in original form by the provider. If these pages are not properly completed, the cost report will not be processed until the provider uploads completed pages; if completed pages are not uploaded in a timely manner, the cost report will not be counted as received timely and may be returned. If a report is returned, it is unverified and new certifications, dated after the report has been re-verified will have to be uploaded.

Preparer (Methodology) Certification

This page must be signed by the person identified in **Step 1** of this cost report as *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 for the provider. Signing as *Preparer* carries the responsibility for an accurate and complete cost report prepared in accordance with applicable methodology rules and instructions. Signing as *Preparer* signifies that the preparer is knowledgeable of the applicable methodology rules and instructions and that the preparer has either completed the cost report himself/herself in accordance with those rules and instructions or has adequately supervised and thoroughly instructed his/her employees in the proper completion of the cost report. Ultimate responsibility for the cost report lies with the person signing as *Preparer.* If more than one person prepared the cost report, an executed Preparer Certification page (with original signature and original notary stamp/seal) may be submitted by each preparer. All persons signing the methodology certification must have attended the required cost report training.

AS PREPARER OF THIS ACCOUNTABILITY REPORT, I HEREBY CERTIFY THAT:

- I have completed the state-sponsored cost report training for this accountability report.
- I have read the note below, the cover letter and all the instructions applicable to this accountability report.
- I have read the Cost Determination Process Rules (excluding 24-RCC), program rules, and reimbursement methodology applicable to this cost report, which define allowable and unallowable costs and provide guidance in proper cost reporting.
- I have reviewed the prior year's cost report audit adjustments, if any, and have made the necessary revisions to this period's cost report.
- To the best of my knowledge and belief, this cost report is true, correct and complete, and was prepared in accordance with the Cost Determination Process Rules (excluding 24 RCC), program rules, reimbursement methodology and all the instructions applicable to this cost report.
- This accountability report was prepared from the books and records of the contracted provider and/or its controlling entity.

Note: This PREPARER CERTIFICATION must be signed by the individual who prepared the cost report or who has the primary responsibility for the preparation of the cost report. If more than one person prepared the cost report, an executed PREPARER CERTIFICATION may be submitted by each preparer. Misrepresentation or falsification of any information contained in this cost report may be punishable by fine and/or imprisonment.

The Preparer Certification must be uploaded by the Preparer, using his/her own login information.

PREPARER IDENTIFICATION

Name of Contracted Provider:	
Printed/Typed Name of Signer:	Title of Signer:

SIGNATURE OF PREPARER

Subscribed and sworn before me, a Notary public on the

DATE

____ of ____, ____

Day *Month* *Year*

Notary Signature

Notary Public, State of

Commission Expires

Step 11. Entity Contact Certification

This page must be completed and signed by an individual legally responsible for the conduct of the provider such as an owner, partner, Corporate Officer, Association Officer, Government official, or L.L.C. member. The administrator of one or more of the contracts include in the Cost Report Group may not sign this certification page unless he/she also holds one of those positions. The responsible party's signature must be notarized. The signature date must be the same or after the date the preparer signed the Methodology Certification page, since the cost report certification indicates that the cost report has been reviewed after preparation.

11. Entity Contact Certification

AS SIGNER OF THIS ACCOUNTABILITY REPORT, I HEREBY CERTIFY THAT:

- I have read the note below, the cover letter and all the instructions applicable to this accountability report.
- I have read the Cost Determination Process Rules (excluding 24-RCC), program rules, and reimbursement methodology applicable to this accountability report, which define allowable and unallowable costs and provide guidance in proper accountability reporting.
- I have reviewed this accountability report after its preparation.
- To the best of my knowledge and belief, the accountability report is true, correct and complete, and was prepared in accordance with the Cost Determination Process Rules (excluding 24 RCC), program rules, reimbursement methodology and all the instructions applicable to this accountability report.
- This accountability report was prepared from the books and records of the contracted provider and/or its controlling entity.

Note: This COST REPORT CERTIFICATION must be signed by the individual legally responsible for the conduct of the contracted provider, such as the Sole Proprietor, a Partner, a Corporate Officer, an Association Officer, or a Governmental Official. The administrator/director is authorized to sign only if he/she holds one of these positions. Misrepresentation or falsification of any information contained in this accountability report may be punishable by fine and/or imprisonment.

In accordance with Texas Administrative Code (TAC) Rule §355.105(d)(1)(A), an interested party legally responsible for conduct of the contracted provider may initiate an amendment no later than 60 days after the original due date. Provider-initiated amendment requests can be sent to: costinformation@hhsc.state.tx.us. Request received that is not signed by an individual legally responsible for the conduct of the contracted provider, or received after the 60th day, will not be accepted. Failure to submit the requested amendment to the cost report by the due date is considered a failure to complete a cost report as specified in the above referenced rule.

The Accountability Report Certification must be uploaded by the responsible party, using his/her own login information.

SIGNER INDENTIFICATION

Name of Contracted Provider:

Printed/Typed Name of Signer: | Title of Signer:

Name of Business Entity:

Address of Signer (street or P.O. Box, city, state, 9-digit zip):

Phone Number (including area code): | FAX Number (including area code):

Email:

SIGNATURE OF SIGNER | DATE

Subscribed and sworn before me, a Notary public on the _____ of _____, _____
Day | Month | Year

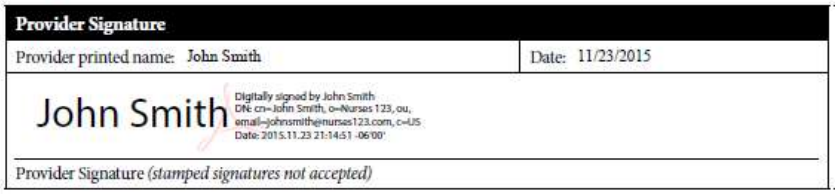
Notary Signature | Notary Public, State of

Commission Expires

Return

Digital Signatures

Per Texas Administrative Code (TAC) rule §355.105(b)(4), General Reporting and Documentation Requirements, Methods, and Procedures, cost report preparers must certify the accuracy of cost reports submitted to the Health and Human Services Commission (HHSC). Per the rule, this certification must: "contain a signed, notarized, original certification page or an electronic equivalent where such equivalents are specifically allowed under HHSC policies and procedures;"



Provider Signature	
Provider printed name: John Smith	Date: 11/23/2015
John Smith Digitally signed by John Smith DN: cn=John Smith, o=Nurses 123, ou, email=johnsmith@nurses123.com, c=US Date: 2015.11.23 21:14:51 -06'00'	
Provider Signature *(stamped signatures not accepted)*	

HHSC will accept a digital signature if the signature is derived using software that creates a digital signature logo with a system-generated date and time stamp or includes the logo of the digital software used.

HHCS will not accept a digital signature if any of the following conditions apply, including, but not limited to:

- A photocopy of a handwritten signature
- An ink stamp of a handwritten signature
- A typed signature without a digital stamp

You may follow this link for more information. https://pfd.hhs.texas.gov/rate-analysis-digital-signature-policy

11. Entity Contact Certification

AS SIGNER OF THIS COST REPORT, I HEREBY CERTIFY THAT:

- I have read the note below, the cover letter and all the instructions applicable to this cost report.
- I have read the Cost Determination Process Rules (excluding 24-RCC), program rules, and reimbursement methodology applicable to this cost report, which define allowable and unallowable costs and provide guidance in proper cost reporting.
- I have reviewed this cost report after its preparation.
- To the best of my knowledge and belief, this cost report is true, correct and complete, and was prepared in accordance with the Cost Determination Process Rules (excluding 24 RCC), program rules, reimbursement methodology and all the instructions applicable to this cost report.
- This cost report was prepared from the books and records of the contracted provider and/or its controlling entity.

Note: This COST REPORT CERTIFICATION must be signed by the individual legally responsible for the conduct of the contracted provider, such as the Sole Proprietor, a Partner, a Corporate Officer, an Association Officer, or a Governmental Official. The administrator/director is authorized to sign only if he/she holds one of these positions. Misrepresentation or falsification of any information contained in this cost report may be punishable by fine and/or imprisonment.

In accordance with Texas Administrative Code (TAC) Rule §355.105(d)(1)(A), an interested party legally responsible for conduct of the contracted provider may initiate an amendment no later than 60 days after the original due date. Provider-initiated amendment requests can be sent to: costinformation@hhsc.state.tx.us. Request received that is not signed by an individual legally responsible for the conduct of the contracted provider, or received after the 60th day, will not be accepted. Failure to submit the requested amendment to the cost report by the due date is considered a failure to complete a cost report as specified in the above referenced rule.

The Cost Report Certification must be uploaded by the responsible party, using his/her own login information.

SIGNER INDENTIFICATION

Name of Contracted Provider:	
Printed/Typed Name of Signer:	Title of Signer:
Name of Business Entity:	
Address of Signer (street or P.O. Box, city, state, 9-digit zip):	
Phone Number (including area code):	FAX Number (including area code):
Email:	

SIGNATURE OF SIGNER

DATE

Subscribed and sworn before me, a Notary public on the _____ of _____, _____.
Day *Month* *Year*

Notary Signature

Notary Public, State of

Commission Expires

Return

Step 12. Provider Adjustment Report

Purpose

The purpose is for the provider to review the report adjustments made during HHSC's financial examination.

The Provider has 30 days to review their adjustments. This is an opportunity to review and make a determination for a informal review in Step 13 or agree with the adjustment.

How to complete Step 12

This Step will not be visible until after the report has been reviewed and provider is notified of adjustments to or exclusions of information initially submitted. Providers will receive e-mail notification that their adjustment report is ready. Provider then has 30 days to review their adjustments, this entails clicking on step 12 and reviewing the adjustment report. Once you review Step 12 then Step 13 will be available to Agree or Disagree with the adjustments made. After the end of that 30-day period, the report will be set to the status of Agreed by Default.

Review Period Expires: February 04, 20XX

In accordance with Title 1 Texas Administrative Code (TAC) §355.107(a), the following report shows adjustments made to your cost report by the Texas Health and Human Services Commission (HHSC). This report shows changes made to values originally reported by the preparer and includes the original amount reported, the amount of adjustment, the amount after adjustment, and the reason for the adjustment. Please note that at the time your report was processed the reported units of service were reconciled to the most recently available, reliable units of service for the reporting period, as reflected in the State's Claim Management System (CMS).

Not shown are the calculated values that changed due to these adjustments. To better understand the overall impact of these adjustments on the total revenues and expenses, you are being provided a Summary Table at the bottom of the report.

It is important that you carefully review this information. You may obtain additional information concerning these adjustments by submitting a written request by United States (U.S.) Mail or special delivery to:

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

General and Statistical

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By

Expenses

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By

Revenues

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By

Expenses

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By

Revenues

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By

Summary Table

Revenue Summary	Total as Submitted	Adjustments	Total After Adjustments
Total Non-Medicaid	$0.00	$0.00	$0.00
Total	**$0.00**	**$0.00**	**$0.00**

Expense Summary	Total as Submitted	Adjustments	Total After Adjustments
Total Attendant Wages, Benefits and Mileage	$0.00	$0.00	$0.00
Total Non-Attendant Wages, Benefits and Mileage	$0.00	$0.00	$0.00
Total Administrative and Operations Wages, Benefits and Mileage (less Central Office)	$1,111.00	$0.00	$1,111.00
Total Payroll Taxes & Workers' Compensation (Not including Central Office)	$3.00	$0.00	$3.00
Total Facility and Operations Expenses (Not including Central Office)	$0.00	$0.00	$0.00
Total Central Office Expenses	$0.00	$0.00	$0.00
Total	**$1,114.00**	**$0.00**	**$1,114.00**

Because this cost report indicates participation in rate enhancement in Step 4, your recoupment summary information is being provided below.

In accordance with Title 1 of the Texas Administrative Code (TAC), §355.308(s) for nursing facilities, or §355.112(t) for all other programs, the below Recoupment Summary indicates whether or not the provider is subject to recoupment for failure to meet participation requirements.

If you indicated on STEP 2 of this cost report that you requested to aggregate by program those contracts/component codes held by this Combined Entity which participated in the Attendant Compensation Rate Enhancement for the purpose of determining compliance with spending requirements, the recoupment summary information below represents the estimated total recoupment for all participating contracts/component codes on the cost reports indicated below. This same summary information is displayed on all cost reports affected by the aggregation.

Recoupment Summary

Program / Contract / Group	Level Awarded	Spending Requirement	Actual Spending	Per Unit Recoupment	Estimated Total Recoupment
DAHS		$0.00	$0.00	$0.00	$100.00
Total Recoupment		$0.00	$0.00	$0.00	$100.00

Additional adjustments and recoupments (other than those identified above) may occur as a result of a subsequent informal review, audit, or desk review of your cost report. As per 1 TAC §355.308(s) or §355.112(t) and §355.107(a), if subsequent adjustments are made, you will be notified via e-mail to logon to STAIRS and view Step 14 of this cost report where those adjustments and any revised recoupment amount will be displayed.

Unless you request an informal review in accordance with 1 TAC §355.110, adjustments to the provider's rates per unit for this reporting period will be sent to the Health and Human Services Commission (HHSC) Provider Claims Services for processing after the "Review Period Expires" date shown above and below. Do not send checks or payments to HHSC unless specifically instructed by HHSC. The amount to be recouped will be subtracted from future billings.

PAYMENT PLANS (For Recoupments Greater Than $25,000)

If your recoupment is greater than $25,000 you may be eligible for a payment plan. Payment plans are not guaranteed and apply only to active contracts. If the contract terminates prior to the completion of the recoupment, any payment plan that was granted no longer applies.

- If your recoupment is for a twelve-month period and is greater than $25,000, you may request to have it collected over the span of 3 months.
- If your recoupment is for a twelve-month period and is greater than $75,000, you may request to have it collected over the span of 6 months.
- If the reporting period report is less than a full year with a recoupment greater $25,000, then HHSC may approve fewer than the requested number of payments in the payment plan.

HHSC Rate Analysis Department must receive your written request for a payment plan at one of the below addresses by hand delivery, U.S. mail or special mail delivery, or email (faxes will not be accepted). A payment plan request must be received no later than the "Review Period Expires" date shown above and below. A payment plan request not received by the stated deadline will not be accepted. A payment plan request post-marked prior to the stated deadline but received after the due date will not be accepted.

A written payment plan request must be submitted to the Director for Long Term Services and Supports at the below address.

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

Special Mail Delivery:
Texas Health and Human Services Commission
Rate Analysis Department, MC H-400
Brown-Heatly Building
4900 N. Lamar Blvd.
Austin, TX 78751-2316

Email

You may also submit a request for a payment plan to the Rate Analysis Department via email to: RAD-LTSS@hhsc.state.tx.us. The request letter must be:

- printed on the contracted provider's letterhead;
- signed by an individual legally responsible for the conduct of the contracted provider, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, or a limited liability company member; and
- scanned and emailed to the Rate Analysis Department using the above-referenced email address.

Review Period Expires: February 04, 20XX

Important: Step 13 Agree/Disagree, must be completed no later than the review period expiration date stated above. Step 13 may only be completed by an individual legally responsible for the conduct of the contracted provider, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, or a limited liability company member. This individual must be designated in STAIRS with an "Entity Contact" or "Financial Contact" role.

A "Preparer Contact" is prohibited by STAIRS from completing Step 13. Only Preparer Contacts who also have been designated with the Entity Contact or Financial Contact roles may complete Step 13 and can do so by logging onto STAIRS using their Entity Contact or Financial Contact username and password.

If you choose to "Disagree" and intend to dispute one or more items you must do so by requesting an informal review in accordance with Title 1 Texas Administrative Code (TAC) § 355.110. After clicking the "Disagree" button, you will be provided with instructions of mandatory actions you must take. In accordance with the instructions contained in Step 13, if a request for informal review or request for 15 day extension is received by HHSC later than the review period expiration date stated above, it will not be accepted. Requests that are post-marked prior to this deadline date but received after the deadline date will not be accepted. If you do not request an informal review by this deadline date you will not be able to request a formal appeal regarding these exclusions or adjustments.

Return

Step 13. Agree/Disagree

Purpose

The purpose of this step is for the provider to request an informal review, or agree with adjustments.

How do we use this information?

HHSC uses this information to start the informal review process, or set the report to complete.

How to complete Step 13

This Step will not be visible until after the report has been reviewed and provider is notified of adjustments to or exclusions of information initially submitted. The Step may only be completed by an individual legally responsible for the conduct of the contracted provider, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, or a limited liability company member. This individual must be designated in STAIRS with an "Entity Contact" or "Financial Contact" role.

This Step must be completed within the 30-day time frame from the date of the e-mail notifying the provider that **Steps 12 and 13** are available to the provider.

For providers with a recoupment amount above $25,000, the option "I Agree and Request a Payment Plan" will be available during Step 13. This option finalizes the report and requests a payment plan for paying the recoupment.

If a provider's cost report has a recoupment amount below $25,000, then the provider may still request a payment plan. The HHSC PFD 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.

Letters for a Payment Plan Request may be emailed to the Director of PFD for Long-Term Services and Supports at PFD-LTSS@hhs.texas.gov and must follow these requirements:

- Is on the company letterhead
- Details what is being requested (a payment plan)
- Includes the Cost Report Group number or Contract number of the report
- Includes the year and type of report (Cost Report 2021, for example)
- Is signed by the "an individual legally responsible for the conduct of the interested party, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, a limited liability company member, a person authorized by the applicable HHSC Enterprise or Texas Medicaid and Healthcare Partnership (TMHP) signature authority designation form for the interested party on file at the time of the request, or a legal representative for the interested party. The administrator or director of the facility or program is not authorized to sign the request unless the administrator or director holds one of these positions." Note that this is a person listed on HHSC Form 2031 and is not necessarily the entity contact in STAIRS.

- The request meets the deadline, which is 30 days from the Provider Notification date

A provider who disagrees with an adjustment is entitled to request an informal review of those adjustments with which the provider disagrees. A provider cannot request an informal review merely by signifying provider's Disagreement in **Step 13**. The request, or a request for a 15-day extension to make the request, must be in writing and received by HHSC no later than the review period expiration date. Additionally, the request must include all necessary elements as defined in 1 TAC 355.110(c)(1):

- A concise statement of the specific actions or determinations it disputes;
- Recommended resolution; and
- Any supporting documentation the interested party deems relevant to the dispute.

It is the responsibility of the interested party to render all pertinent information at the time of its request for an informal review. A request for an informal review that does not meet the requirements outlined above will not be accepted.

When a provider selects "Disagree" on Step 13, a new version of Step 13 appears with all the information necessary to file a request for an informal review.

13. Agree/Disagree

Agreed and Requested a Payment Plan by John Smith

PAYMENT PLANS (For Recoupments Greater Than $25,000)

If your recoupment is greater than $25,000 you may be eligible for a payment plan. Payment plans are not guaranteed and apply only to active contracts. If the contract terminates prior to the completion of the recoupment, any payment plan that was granted no longer applies.

- If your recoupment is for a twelve-month period and is greater than $25,000, you may request to have it collected over the span of 3 months.
- If your recoupment is for a twelve-month period and is greater than $75,000, you may request to have it collected over the span of 6 months.
- If the reporting period report is less than a full year with a recoupment greater $25,000, then HHSC may approve fewer than the requested number of payments in the payment plan.

HHSC Rate Analysis Department must receive your written request for a payment plan at one of the below addresses by hand delivery, U.S. mail, special mail delivery, or email (faxes will not be accepted). A payment plan request must be received no later than the "Review Period Expires" date shown above and below. A payment plan request not received by the stated deadline will not be accepted. A payment plan request post-marked prior to the stated deadline but received after the due date will not be accepted.

The written request for the informal review or extension must be signed by the Legally Responsible Party indicated in Step 13 or their Legally-authorized representative. The mailing instructions for the informal review are also included in **Step 13**.

The written request for an informal review must be submitted to the Director, Rate Analysis Department at the below address.

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

Special Mail Delivery

Texas Health and Human Services Commission
Rate Analysis Department, MC H-400
Brown-Heatly Building
4900 N. Lamar Blvd.
Austin, TX 78751-2316

Legally responsible person

First Name:	HHSC		
Last Name:	RAD		
Job Title:	test		
Entity Name:	ZZZ RAD CPC		
Email:	HHSCRAD@gmail.com		
Phone (123-456-7890):	1234567890	**Phone Extension:**	1234567890
Fax (123-456-7890):	1234567890	**Fax Extension:**	

Mailing Address

Street 1 or P.O. Box:	99 S. Test Street
Street 2:	
City:	Houston
State:	TX
Zip (Plus 4 Optional):	77008

Return

Step 14. HHSC Informal Review

Purpose

The purpose of this step is to allow the providers a chance to review the informal review adjustments.

How to complete Step 14

General and Statistical

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By	Co

Expenses

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By	Co

Revenues

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By	Co

Revenues

Step	Sub-Step	Item	Reported Amount	Reconciling Items	Adjusted Amount	Adjusted By	Co

Summary Table

Revenue Summary	Total as Submitted	Adjustments	Total After Adjustments
Total Non-Medicaid	$0.00	$0.00	$0.00
Total	**$0.00**	**$0.00**	**$0.00**

Expense Summary	Total as Submitted	Adjustments	Total After Adjustments
Total Attendant Wages, Benefits and Mileage	$0.00	$0.00	$0.00
Total Non-Attendant Wages, Benefits and Mileage	$0.00	$0.00	$0.00
Total Administrative and Operations Wages, Benefits and Mileage (less Central Office)	$1,111.00	$0.00	$1,111.00
Total Payroll Taxes & Workers' Compensation (Not including Central Office)	$3.00	$0.00	$3.00
Total Facility and Operations Expenses (Not including Central Office)	$0.00	$0.00	$0.00
Total Central Office Expenses	$0.00	$0.00	$0.00
Total	**$1,114.00**	**$0.00**	**$1,114.00**

Because this cost report indicates participation in rate enhancement in Step 4, your recoupment summary information is being provided below.

In accordance with Title 1 of the Texas Administrative Code (TAC), §355.308(s) for nursing facilities, or §355.112(t) for all other programs, the below Recoupment Summary indicates whether or not the provider is subject to recoupment for failure to meet participation requirements.

If you indicated on STEP 2 of this cost report that you requested to aggregate by program those contracts/component codes held by this Combined Entity which participated in the Attendant Compensation Rate Enhancement for the purpose of determining compliance with spending requirements, the recoupment summary information below represents the estimated total recoupment for all participating contracts/component codes on the cost reports indicated below. This same summary information is displayed on all cost reports affected by the aggregation.

Recoupment Summary

Program / Contract / Group	Level Awarded	Spending Requirement	Actual Spending	Per Unit Recoupment	Estimated Total Recoupment
DAHS		$0.00	$0.00	$0.00	$100.00
Total Recoupment		$0.00	$0.00	$0.00	$100.00

Unless you request a formal appeal in accordance with 1 TAC §355.110, adjustments to the provider's rates per unit for this reporting period will be sent to the Health and Human Services Commission (HHSC), Provider Claims Services for processing 15 - 30 days after the date on the Informal Review Decision Notification Letter. Do not send checks or payments to HHSC unless specifically instructed by HHSC. The amount to be recouped will be subtracted from future billings.

PAYMENT PLANS (For Recoupments Greater Than $25,000)

If your recoupment is greater than $25,000 you may be eligible for a payment plan. Payment plans are not guaranteed and apply only to active contracts. If the contract terminates prior to the completion of the recoupment, any payment plan that was granted no longer applies.

- If your recoupment is for a twelve-month period and is greater than $25,000, you may request to have it collected over the span of 3 months.
- If your recoupment is for a twelve-month period and is greater than $75,000, you may request to have it collected over the span of 6 months.
- If the reporting period report is less than a full year with a recoupment greater $25,000, then HHSC may approve fewer than the requested number of payments in the payment plan.

HHSC Rate Analysis Department must receive your written request for a payment plan at one of the below addresses by hand delivery, U.S. mail, special mail delivery, or email (faxes will not be accepted). A payment plan request must be received no later than the "Review Period Expires" date shown above and below. A payment plan request not received by the stated deadline will not be accepted. A payment plan request post-marked prior to the stated deadline but received after the due date will not be accepted.

A written payment plan request must be submitted to the Director for Long Term Services and Supports, Rate Analysis Department at the below address.

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

Special Mail Delivery:
Texas Health and Human Services Commission
Rate Analysis Department, MC H-400
Brown-Heatly Building
4900 N. Lamar Blvd.
Austin, TX 78751-2316

Email

You may also submit a request for a payment plan to the Rate Analysis Department via email to: RAD-LTSS@hhsc.state.tx.us. The request letter must be:

- printed on the contracted provider's letterhead;
- signed by an individual legally responsible for the conduct of the contracted provider, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, or a limited liability company member; and
- scanned and emailed to the Rate Analysis Department using the above-referenced email address.

Return

This Step only appears if the provider submits a request for an informal review. It is used by HHSC to make adjustments during the informal review process. Provider will not be able to access this Step until HHSC notifies provider of that adjustments are ready to be viewed.

Appendix A. Uploading Documents into STAIRS

Cost reports submitted without the required documentation will be returned to the provider as unacceptable. See 1 TAC §355.102(j)(2) and §355.105(b)(2)(B)(v).

All instructions for uploading documents into STAIRS and managing and attaching those documents electronically can be found in the STAIRS program by clicking on the Uploading File Instructions file under General Reference Materials at the bottom right hand corner of any web pageweb page in STAIRS. The Upload Center itself can be located in STAIRS on the Dashboard through clicking on Manage, to the far right on the header.

Appendix B. Allocation Methodologies

Units of Service: This allocation method can only be used for shared costs where the services have equivalent units of equivalent service and MUST be used where that is the case. An equivalent unit means the time of a service is important: a Nursing Facility (NF) and a DAHS facility both provide a "Day" of service, but one is a 24-hour "Day" while the other is not. An equivalent service means that the activities provided by staff are essentially the same.

Cost-to-Cost: If allocations based on units of service are not acceptable, and all of a provider's contracts are labor-intensive, or if all contracts have programmatic or residential building costs, the provider may choose to allocate their indirect shared costs on a cost-to-cost basis.

Salaries: If allocation based on Units of Service is not acceptable, and all of a provider's contracts are labor-intensive, or if all contracts have programmatic or residential building costs, the provider may choose to allocate their indirect shared costs on the basis of salaries. The two cost components of the salary's allocation method:

- Salaries/wages
- Contracted labor (excluding consultants)

In the cost component above, the term "salaries" does not include the following costs associated with the salaries/wages of employees:

- Payroll taxes
- Employee benefits/insurance
- Workers' compensation

Labor Costs: This allocation method can be used where 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. It is calculated based upon the ratio of directly charged labor costs for each contract to the total directly charged labor costs for all contracts. The Five Cost Components of the Labor Costs Allocation Method:

- Salaries/Wages
- Payroll taxes
- Employee benefits/insurance
- Workers' compensation costs
- Contracted labor (excluding consultants)

Total Costs Less Facility Costs: 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. This method allocates costs based upon the ratio of each contract's total costs less that contract's facility or building costs to the provider's total costs less facility or building costs for all contracts.

If any of these allocation methods are used, the allocation summary must clearly show that all the cost components of the allocation method have been used in the allocation

calculations. For example, when describing the numerator and denominator in numbers for the salary's method, the numerator and denominator each should clearly show the amount of costs for salaries/wages and for contracted labor (excluding consultants).

Square footage: This allocation method is the most reasonable for building and physical plant allocations.

Functional: If the provider has any doubt whether the functional method used is in accordance with applicable rules or requires prior written approval from the HHSC PFD, send email to PFD-LTSS@hhs.texas.gov prior to submitting the report.

Time study: The time study must be in compliance with 1 TAC §355.105(b)(2)(B)(i). If the time study is not in compliance with these rules, the provider must receive written approval from HHSC PFD to use the results of the time study. According to the rules, a time study must cover, at a minimum, one randomly selected week per quarter throughout the reporting period. The allocation summary should include the dates and total hours covered by the time study, as well as a breakdown of the hours' time-studied by function or business component, as applicable.

Other allocation method approved by HHSC: Requests for approval to change an allocation method or to use an allocation method other than an allocation method approved or allowed by HHSC must be received by HHSC's PFD before the end of the provider's fiscal year, as described at 1 TAC §355.102(j)(1)(D*)*. To request such approval from HHSC PFD, submit to PFD-LTSS@hhs.texas.gov a disclosure statement along with justification for the change and explain how the new allocation method is in compliance with the Cost Determination Process Rules and how the new allocation method presents a more reasonable representation of actual operations.

If using an alternate allocation method, upload a properly cross-referenced copy of the provider's original allocation method approval request and any subsequent approval letter from HHSC PFD. If the provider's approval request included examples or a copy of the provider's general ledger, include those documents in the uploaded attachments for this item.

Table 1 below provides a summary of appropriate allocation methods for various situations. For questions regarding proper allocation of shared costs, please contact the HHSC PFD LTSS Center for Information and Training at PFD-LTSS@hhs.texas.gov.

TABLE 1. APPROPRIATE ALLOCATION METHODS FOR REPORTING SHARED ADMINISTRATIVE COSTS THAT CANNOT BE REASONABLY DIRECT COSTED

Makeup of Controlling Entity's Business Components	Multiple Contracts of the Same (Equivalent) Type of Service	Various Business Components - All Labor-Intensive	Various Business Components - All with Programmatic- or Residential-Building Costs	Mixed Business Components - Some with Programmatic- or Residential-Building Costs and Some Labor-Intensive	Shared Administrative Personnel Performing Different Duties for Different Business Components (not in Direct Care)	Functional Methods
Allowable Allocation Methods	Units of Service	Cost-to-Cost Labor Costs Salaries	Cost-to-Cost Total-Cost-Less-Facility-Cost^ Labor Costs Salaries	Total-Cost-Less-Facility-Cost^ Labor Costs	Time Study*	Payroll Department - Number of payroll checks issued for each business component during the reporting period Purchasing Department - Number of purchase orders processed during the reporting period for each business component

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 the HHSC PFD's LTSS Center for Information and Training at PFD-LTSS@hhs.texas.gov for further instructions.

* See 1 TAC §355.105(b)(2)(B)(i) for time study requirements.
^ When using the total-cost-less-facility-cost allocation method, the building (facility) costs to be removed from the cost calculation include Lease/Rental of Building/Facility/Building Equipment; Insurance for those items; Utilities, Maintenance and Contract Services of those items; Mortgage Interest; Ad Valorem Taxes; and Depreciation for Building/Facility/Building Equipment/Land/Leasehold Improvements

Allocation Summary - **UNITS of SERVICE**

Adjusted Trial Balance - Sarah's CBA Corp
As of 12/31/2009

Expenses:	Total Costs	Disallowed	Austin Direct Costs	San Antonio Direct Costs	Shared Costs	Allocated Shared Costs 55.69% Austin	44.31% San Antonio
Salaries							
Administrative	125,347.28				125,347.28	69,805.90	55,541.38
RNs	45,288.47		25,361.54	19,926.93	-	-	-
Attendants	33,254.88		25,458.97	7,795.91	-	-	-
Physical Therapists	82,588.92		51,205.13	31,383.79	-	-	-
Contracted RN	65,000.00				65,000.00	36,198.50	28,801.50
FICA/Medicare	21,915.69		7,804.96	4,521.66	9,589.07	5,340.15	4,248.92
State & Federal Unemployment	5,156.63		1,270.51	554.46	3,331.66	1,855.40	1,476.26
Workers's Compensation	0.00		0.00	0.00	-	-	-
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,505.73	1,198.04
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,506.05	1,993.95
Utilities	8,945.67		2,385.51	2,087.32	4,472.84	2,490.92	1,981.91
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,265.68	1,007.05
Office Supplies	1,501.80				1,501.80	836.35	665.45
Medical Supplies	874.64				874.64	487.09	387.55
Insurance - General Liability	1,254.00				1,254.00	698.35	555.65
Insurance - Malpractice	1,050.87				1,050.87	585.23	465.64
Travel	387.98	237.65	54.36	35.74	60.23	33.54	26.69
Advertising	402.87	104.97			297.90	165.90	132.00
Miscellaneous	601.47	254.74			346.73	193.09	153.64
Totals	410,426.58	597.36	117,596.68	69,629.03	222,603.51	123,967.90	98,635.62

Units of Service Allocation Percentages:	Units of Service	Percentage
Austin	9,961.00	55.69%
San Antonio	7,924.00	44.31%
	17,885.00	100.00%

Allocation Summary - Cost-to-Cost

Adjusted Trial Balance
As of 12/31/xx

Expenses:	Total Costs	Disallowed	Direct DAHS	Direct RC	Shared Costs	Allocated Shared Costs 57.38% DAHS	Allocated Shared Costs 42.62% RC
Salaries							
Administrative	125,347.28				125,347.28	71,922.00	53,425.28
DAHS Attendants	87,434.22		87,434.22		-		
RC Attendants	65,238.41			65,238.41	-		
Supervisors	23,254.88		13,528.48	9,726.40	-		
Contracted Employees	249.85		249.85		-		
Consultants	2,500.00				2,500.00	1,434.45	1,065.55
FICA/Medicare	23,008.63		7,723.65	5,715.03	9,569.95	5,491.06	4,078.89
State & Federal Unemployment	5,613.99		2,524.07	1,494.13	1,595.79	915.64	680.15
Employee Benefits	3,488.84		1,254.01	889.47	1,345.36	771.94	573.42
Office Lease	6,500.00		2,400.00	2,100.00	2,000.00	1,147.56	852.44
Utilities	6,460.76		2,385.51	2,087.32	1,987.93	1,140.64	847.29
Telecommunications	2,453.79		401.68	333.75	1,718.36	985.96	732.40
Office Supplies	1,501.80				1,501.80	861.71	640.09
Medical Supplies	0.00				-		
Insurance - General Liability	1,254.00				1,254.00	719.52	534.48
Insurance - Malpractice	1,050.87				1,050.87	602.97	447.90
Travel	303.01	204.65	54.36	35.74	8.26	4.74	3.52
Advertising	402.87	104.97			297.9	170.93	126.97
Miscellaneous	601.47	254.74			346.73	198.95	147.78
Totals	356,664.67	564.36	117,955.83	87,620.25	150,524.23	86,368.08	64,156.15

Cost-to-Cost Allocation Percentages:	Total Costs	Percentage
Total DAHS	117,955.83	57.38%
Total RC	87,620.25	42.62%
	205,576.08	100.00%

Allocation Summary - Salaries Method

Adjusted Trial Balance
As of 12/31/xx

Expenses:	Total Costs	Disallowed	Direct Austin	Direct Dallas	Shared Costs	Allocated Shared Costs 57.39% Austin	42.61% Dallas
Salaries							
Administrative	125,347.28				125,347.28	71,935.31	53,411.97
Attendants	87,434.22		87,434.22		-		
Case Managers	65,238.41	Salary		65,238.41	-		
Supervisors	23,254.88	Costs	13,528.48	9,726.40	-		
Contracted Workers	0.00				-		
Consultants	2,500.00				2,500.00	1,434.72	1,065.28
FICA/Medicare	23,008.63		7,723.65	5,715.03	9,569.95	5,492.08	4,077.87
State & Federal Unemployment	5,613.99		2,524.07	1,494.13	1,595.79	915.80	679.99
Employee Benefits	3,488.84		1,254.01	889.47	1,345.36	772.09	573.27
Office Lease	6,500.00		2,400.00	2,100.00	2,000.00	1,147.78	852.22
Utilities	6,460.76		2,385.51	2,087.32	1,987.93	1,140.85	847.08
Telecommunications	2,453.79		401.68	333.75	1,718.36	986.15	732.21
Office Supplies	1,501.80				1,501.80	861.87	639.93
Medical Supplies	387.25				387.25	222.24	165.01
Insurance - General Liability	1,254.00				1,254.00	719.66	534.34
Insurance - Malpractice	1,050.87				1,050.87	603.08	447.79
Travel	303.01	204.65	54.36	35.74	8.26	4.74	3.52
Advertising	402.87	104.97			297.9	170.96	126.94
Miscellaneous	601.47	254.74			346.73	198.98	147.75
Totals	356,802.07	564.36	117,705.98	87,620.25	150,911.48	86,606.30	64,305.18

Salary Method Allocation Percentages:	Salary Costs	Percentage
Total Austin	100,962.70	57.39%
Total Dallas	74,964.81	42.61%
	175,927.51	100.00%

Allocation Summary - Labor Cost Method

Adjusted Trial Balance

As of 12/31/xx

Expenses:	Total Costs	Disallowed	Direct DAHS	Direct RC	Direct CBA	Shared Costs	Allocated Shared Costs 41.94% DAHS	30.89% RC	27.17% CBA
Salaries									
Administrative	125,347.28					125,347.28	52,570.65	38,719.77	34,056.86
DAHS Attendants	87,434.22		87,434.22			-			
RC Attendants	65,238.41			65,238.41		-			
CBA Attendants	54,975.15				54,975.15	-			
Supervisors	33,254.88		13,528.48	9,467.85	10,258.55				
Contracted RN	4,572.08	Labor	4,572.08		-	-	-	-	-
Consultants	2,500.00	Costs				2,500.00	1,048.50	772.25	679.25
FICA/Medicare	28,018.12		8,073.41	5,715.03	4,990.38	9,239.30	3,874.96	2,854.02	2,510.32
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	669.27	492.94	433.58
Employee Benefits	4,847.25		1,254.01	889.47	1,358.41	1,345.36	564.24	415.58	365.53
Workers' Compensation	0		0	0	0				
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	838.80	617.80	543.40
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	833.74	614.07	540.12
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	720.68	530.80	466.88
Office Supplies	1,501.80					1,501.80	629.85	463.91	408.04
Medical Supplies	874.64				487.39	387.25	162.41	119.62	105.22
Insurance - Malpractice	1,050.87					1,050.87	440.73	324.61	285.52
Travel	387.98	204.65	54.36	35.74	84.97	8.26	3.46	2.55	2.24
Advertising	402.87	104.97				297.90	124.94	92.02	80.94
Miscellaneous	601.47	254.74				346.73	145.42	107.10	94.21
Totals	438,553.35	564.36	122,627.82	87,361.70	78,672.64	149,326.83	62,627.67	46,127.06	40,572.10

Labor Method Allocation Percentages:	Labor Costs	Percentage
Total DAHS	117,386.27	43.04%
Total RC	82,804.89	30.36%
Total CBA	72,561.00	26.60%

Allocation Summary - Total Cost Less Facility Cost

Adjusted Trial Balance

As of 12/31/xx

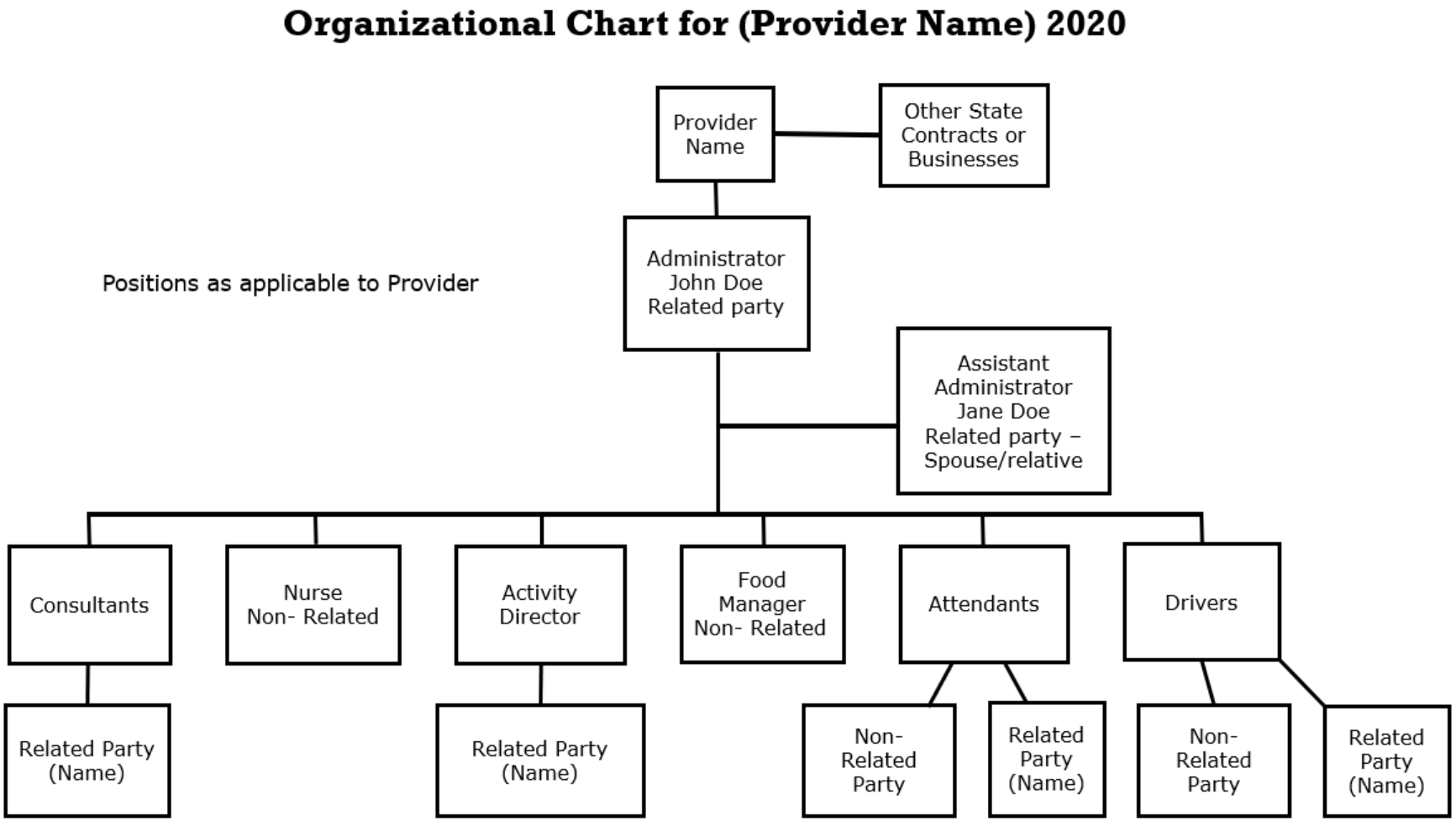
As of 12/31/xx

Expenses:	Total Costs	Disallowed	Direct DAHS	Direct RC	Shared Costs	Allocated Shared Costs 59.33% DAHS	Allocated Shared Costs 40.67% RC
Salaries							
Administrative	125,347.28				125,347.28	74,368.54	50,978.74
Direct Care Workers	157,288.47		87,434.22	69,854.25			
Supervisors	33,254.88		25,458.97	7,795.91			
Contracted RN	4,572.08		2,712.62	1,859.46	-	-	-
Consultants	2,500.00				2,500.00	1,483.25	1,016.75
FICA/Medicare	24,165.63		8,843.84	6,082.49	9,239.30	5,481.68	3,757.62
State & Federal Unemployment	5,686.03		2,822.33	1,553.00	1,310.70	777.64	533.06
Employee Benefits	4,847.25		1,254.01	889.47	2,703.77	1,604.15	1,099.62
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,669.85	1,830.15
Utilities	8,945.67	Facility	2,385.51	2,087.32	4,472.84	2,653.73	1,819.10
Ad Valorem Taxes	3,256.88	Costs	842.64	1,834.64	579.60	343.88	235.72
Maintenance & Repairs	1,846.74		246.25	1,041.67	558.82	331.55	227.27
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,348.41	924.32
Office Supplies	1,501.80				1,501.80	891.02	610.78
Medical Supplies	874.64				874.64	518.92	355.72
Insurance - General Liability	1,254.00				1,254.00	744.00	510.00
Insurance - Malpractice	1,050.87				1,050.87	623.48	427.39
Travel	387.98	237.65	54.36	35.74	60.23	35.73	24.50
Advertising	402.87	104.97			297.90	176.74	121.16
Miscellaneous	601.47	254.74			346.73	205.71	141.02
Totals	389,792.70	597.36	134,856.44	95,467.70	158,871.21	94,258.29	64,612.92

Total Costs-Less-Facility-Costs Allocation Percentages:

	HCS	ICF/IID	Totals
Total Costs	134,856.44	95,467.70	230,324.14
Facility Costs	5,874.40	7,063.63	12,938.03
Total Costs Less Facility Costs	128,982.04	88,404.07	217,386.11
Allocation Percentages	59.33%	40.67%	

Appendix C. Organizational Flowchart Example



Appendix D. List of Useful Lives for Depreciation

STAIRS will assign useful lives based on data input in **Step 8. e.** Provided below is an abbreviated list of some useful lives as stated in the American Hospital Association's 2008 guide (in alphabetical order from left to right). Refer to the AHA publication for items not listed. The 2008 guide is effective for depreciable assets placed in service during the 2008 and subsequent fiscal years. Depreciable assets place in service prior to the 2008 fiscal year should follow the guide in effect at the time or the 1993 guide.

Buildings .....30 yrs.
Building Additions .....30 yrs.
Cars and Minivans ..... 3 yrs.
Light Trucks & Vans .5 yrs.
Buses and Airplanes.7 yrs.
Used Vehicles - see 1 TAC §355.103(b)(10)(C)(ii)

Asset	*Years*
Air Conditioning-5 tons or more	10
	5
Apnea Monitor	7
Bed - Flotation Therapy	10
Bed - Manual	15
Bench - Metal or Wood	15
Breathing Unit - Positive Pressure	8
Camera - Video Tape	5
Chair - Geriatric	10
Chair - Shower/Bath	10
Computer - Laptop	3
Computer - Printer	5
Cooler - walk-in	15
Desk - Metal or Wood	20
Dresser	15
Emergency Generator	20
Fencing - Brick or Stone	25
Fencing - Wood	8
Flooring - Carpet	5
Flooring - Vinyl	10
Guard Rails	15
Intercom System	10
Lawn and Patio Furniture	5
Nurses' Counter - Built In	15
Oxygen Tank, Motor, and Truck	8
Paving - Asphalt	8
Photocopier - Large	5
Pump - Infusion	10
Refrigerator - Commercial	10
Shrubs and Lawns	5
Table - Food Prep	15
Table - Wood	15
Television	5
VCR	5
Wheelchair	5

Asset	*Years*
Air Conditioning System - Less than 5 tons	
Bath - Whirlpool	10
Bed - Electric	12
Beepers - Paging	3
Bookcase - Metal or Wood	20
Cabinet	15
Cart	10
Chair - Guest	15
Chart Rack	20
Computer - Personal	3
Computer - Software	3
Curtains and Drapes	5
Dishwasher	10
Dryer - Clothes	10
Fax Machine	3
Fencing - Chain Link	15
Files - Regular	15
Flooring - Ceramic	20
Food Service Furniture	15
Housekeeping Furniture	15
Landscaping	10
Nurse Call System	10
Nursing Service Furniture	15
Parking Lot Striping	2
Paving – Concrete	15
Photocopier - Small	3
Railings - Handrails (interior)	15
Scale	10
Sofa	12
Table - Overbed	15
Telephone System	10
Ventilator/Respiratory	10
Washing Machine - Linen, Large	15
Work Station	10

Appendix E. Self-Insurance

Self-insurance means that the provider has chosen to assume the risk to protect itself against anticipated liabilities. Self-insurance can also be described as being uninsured. To qualify as an allowable self-insurance plan, a contracted provider must enter into an agreement with an unrelated party that does not provide for the shifting of risk to the unrelated party designed to provide only administrative services to liquidate those liabilities and manage risks. Such administrative costs are allowable costs that should be reported in **Step 8.f.**

There may be situations in which there is a fine line between self-insurance and purchased or commercial insurance. This is particularly true of "cost-plus" type arrangements. As long as there is at least some shifting of risk to the unrelated party, even if limited to situations such as provider bankruptcy or employee termination, the arrangement will not be considered self-insurance. Contributions to a special risk management fund or pool that is operated by a third party that assumes some of the risk and that has an annual actuarial review are allowable costs and are not considered self-insurance. Examples of such special risk management funds and pools include the Texas Council Risk Management Fund and the Texas Municipal League Intergovernmental Risk Pool.

- Allowable self-insurance costs for contracted providers include claims-paid (cash basis) costs, paid coinsurance provisions and deductibles and compensation paid to employees injured on the job where the contracted provider has received certificates of authority to self-insure from the Texas Workers' Compensation Commission.
- Contributions to the insurance fund or reserve that do not represent payments based on current liabilities and security deposits related to the Texas Workers Compensation Commission Certificate of Authority to Self-Insure are not allowable self-insurance costs.
- Self-insurance costs in excess of costs for similar, comparable coverage by purchased and/or commercial insurance premiums are subject to a cost ceiling. Documentation substantiating the cost of comparable coverage by purchased and/or commercial insurance premiums must be obtained and maintained as specified in §355.105(b)(2)(B)(ix) of this title. Refer to 1 TAC §355.103(b)(13)(E).

Cost Ceilings
For employee-related self-insurance (health, dental, worker’s comp, etc.), the ceilings are either:

- Cost that would have been incurred if purchased through a commercial policy; or
- Cost equal to 10% of payroll of employees eligible for coverage.

For non-employee related self-insurance (vehicle, building, etc.), the ceiling is the cost that would have been incurred if purchased through a commercial policy.

The amount above the ceiling may be calculated and carried over to future periods in the following manner.

For the initial reporting period:

1. Sum the allowable purchased insurance costs and the paid self-insurance claims for the cost-reporting period.
2. Calculate the self-insurance cost ceiling for the reporting period.
3. Compare items 1 and 2. If item 1 exceeds item 2, the costs in excess of the ceiling may be carried forward and expensed in future cost-reporting periods.

For subsequent reporting periods:

1. Sum the allowable purchased insurance costs and the paid self-insurance claims for the cost-reporting period.
2. Calculate the self-insurance cost ceiling for the reporting period.
3. Compare items 1 and 2.
   a. If item 1 exceeds item 2, the costs in excess of the ceiling may be carried forward and expensed in future cost-reporting periods.
   b. If item 1 is less than item 2, add excess carry-forward amounts from previous reporting periods until the calculated cost ceiling is met.

Documentation Requirements

Maintain documentation that supports the amount of claims paid each year and any allowable costs to be carried forward to future cost-reporting periods.

For employee-related self-insurance, obtain each fiscal year's documentation to establish what premium costs would have been, had commercial insurance for total coverage been purchased **OR** determine the ceiling based on 10% of the payroll for the employees eligible for receipt of the particular coverage/benefit.

For non-employee related self-insurance, document the cost that would have been incurred if item were fully insured. Documentation must include bids from two commercial carriers and documented bids must be obtained at least once every three years.

Appendix F. Importing Data Into STAIRS

For a smaller provider, the ability of STAIRS to maintain data from year to year will be a positive and time-saving process. It is also possible to import large quantities of asset data into STAIRS. To do so requires that the instructions to prepare a file for upload be followed exactly. If data to be imported is not correctly formatted, it will not import correctly, and the system will be unable to utilize the data.

All instructions for importing depreciable assets are found in a Word document at the bottom right of every page in STAIRS. The document is titled “Asset Import Instructions”.

Appendix G. Trial Balance

	A	B	C	D	E	F	G	H	I
1	Provider Name		Cost Report Number			Period			
2									
3		Trial Balance Or Financial Statement used			Adjustments (as applicable)	To Cost Report			
4									
5	Revenues:		XX.XX						
6	DAHS		XX.XX						
7	MCO Amerigroup		XX.XX			XX.XX			
8	MCO Molina		XX.XX			XX.XX			
9	MCO Superior		XX.XX			XX.XX			
10	Private Pay		XX.XX			XX.XX			
11	Medicare		XX.XX			XX.XX	Depends How cost report is changed.		
12	Veterans Administration		XX.XX			XX.XX	Depends How cost report is changed.		
13									
14									
15	Expenses:								
16	Attendants	XX.XX				XX.XX			
17	Drivers	XX.XX				XX.XX			
18	Employee Benefits-Attendants	XX.XX				XX.XX			
19	RN	XX.XX				XX.XX			
20	LVN	XX.XX				XX.XX			
21	Activity Director	XX.XX				XX.XX			
22	Dietician	XX.XX				XX.XX			
23	Food Service Personnel	XX.XX				XX.XX			
24	Other Permanent Direct Care Staff	XX.XX				XX.XX			
25	Employee Benefits-Non-Attendants	XX.XX				XX.XX			
26	Administrator	XX.XX				XX.XX			
27	Assistant Administrator	XX.XX				XX.XX			
28	Owner	XX.XX				XX.XX			
29	Other administrative Staff	XX.XX				XX.XX			
30	Other Facility & Operations	XX.XX				XX.XX			
31	Employee Benefits - Admin and Op Staff	XX.XX				XX.XX			
32	FICA and Medicare Taxes	XX.XX				XX.XX			
33	Unemployment Taxes	XX.XX				XX.XX			
34	Workers' Compensation Premiums	XX.XX				XX.XX			
35	Workers' Compensation Paid Claims	XX.XX				XX.XX			
36									
37	Rent/Lease - Building and Building Equip	XX.XX				XX.XX			
38	Rent/Lease - Departmental Equipment	XX.XX				XX.XX			
39	Interest - Mortgage	XX.XX				XX.XX			
40	Insurance - Building & Equipment	XX.XX				XX.XX			
41	Taxes - Ad valorem Taxes	XX.XX				XX.XX			
42									
43	Electric & Water	XX.XX							
44	Telephone	XX.XX							
45	Utilities & Telecommunications Subtotal	XX.XX				XX.XX			
46									
47	Building/Equipment-Contracted Services and R&M	XX.XX				XX.XX			
48									
49	Non-Depreciable Equipment	XX.XX							
50	Uniforms	XX.XX							
51	Nursing & Medical Supplies	XX.XX							
52	Office Supplies	XX.XX							
53	Cleaning	XX.XX							
54	Operation Supplies - Subtotal	XX.XX				XX.XX			
63	Staff Training/Seminars-Non Admin Staff	XX.XX				XX.XX			
64	Staff Training/Seminars-Admin	XX.XX				XX.XX			
65	Insurance - Liability	XX.XX				XX.XX			
66	Travel	XX.XX				XX.XX			
67	Fees - Management	XX.XX				XX.XX			
68									
69	Accounting Fees	XX.XX							
70	Payroll Fees	XX.XX							
71	Fees - Contracted - Subtotal	XX.XX				XX.XX			
72									
73	License and Permits	XX.XX				XX.XX			
74	Interest - Other	XX.XX				XX.XX			
75	Taxes - Texas Corporate Franchise Tax	XX.XX				XX.XX			
76	Taxes - Other (Personal Property Tax)	XX.XX				XX.XX			
77	Staff Medical Supplies, Activity Supplies, &	XX.XX				XX.XX			
78	Emergency Personal Care Supplies	XX.XX				XX.XX			
79	Housekeeping	XX.XX				XX.XX			
80	Food, Beverages, and Food Supplies	XX.XX				XX.XX			
81	Contracted Food services	XX.XX				XX.XX			
82	Other Food and food Expenses	XX.XX				XX.XX			
83	Advertising - Public Relations	XX.XX				XX.XX			
84	Advertising - Hiring	XX.XX				XX.XX			
85	Dues and Memberships	XX.XX				XX.XX			
86	Other	XX.XX				XX.XX			

Definitions

Accrual Accounting Method - A method of accounting in which revenues are recorded in the period in which they are earned, and expenses are recorded in the period in which they are incurred. If a facility operates on a cash basis, it will be necessary to convert from cash to accrual basis for cost-reporting purposes. Care must be taken to ensure that a proper cutoff of accounts receivable and accounts payable occurred both at the beginning and ending of the reporting period. Amounts earned although not actually received and amounts owed to employees and creditors but not paid should be included in the reporting period in which they were earned or incurred. Allowable expenses properly accrued during the cost-reporting period must be paid within 180 days after the fiscal year end in order to remain allowable costs for cost-reporting purposes, unless the provider is under bankruptcy protection and has obtained a written waiver from HHSC from the 180-day rule in accordance with 1 TAC §355.105(b)(1). If accrued expenses are not paid within 180 days after the fiscal year end and no written exception to the 180-day rule has been approved by HHSC, the cost is unallowable and should not be reported on the cost report. If the provider's cost report is submitted before 180 days after the provider's fiscal year end and the provider later determines that some of the accrued costs have not been paid within the required 180-day period, the cost report preparer should submit a revised cost report with the unpaid accrued costs removed.

1 TAC §355.105(b)(1)

Administration Costs - The share of allowable expenses necessary for the general overall operation of the contracted provider's business that is either directly chargeable or properly allocable to this program. Administration costs include office costs and central office costs (i.e., shared administrative costs properly allocated to this program), if applicable. Administration costs are not direct care costs.

Aggregate - formed or calculated by the combination of many separate units or items; total. "the aggregate amount of grants made"

Allocation - A method of distributing costs on a pro rata basis. For more information, see Cost Allocation Methods in the General Instructions section and the 2021 Cost Report Training materials.

1 TAC §355.102(j)

Allowable Costs - Expenses that are reasonable and necessary to provide care to Medicaid recipients and are consistent with federal and state laws and regulations.

1 TAC §355.102(a) and §355.103(a)

Amortization - The periodic reduction of the value of an intangible asset over its useful life or the recovery of the intangible asset's cost over the useful life of the asset. May include amortization of deferred financing charges on the financing or refinancing of the purchase of the building, building improvements, building fixed equipment, leasehold improvements and/or land improvements. The amortization of goodwill is an unallowable cost. The amortization of the purchase price of a Medicaid contract itself (as opposed to the purchase price of the physical facility) is an unallowable cost. For additional information, see instructions for **Step 8.e.**

1 TAC §355.103(b)(7)

Applied Income - The portion of the daily payment rate paid by the individual in residential programs. Texas Health and Human Services Commission (HHSC) determines how much the individual is to pay.

Attendant Care for Community - An attendant is the unlicensed caregiver providing direct assistance to the individuals with Activities of Daily Living (ADL) and Instrumental Activities of Daily Living (IADL).

Attendants do not include the director, administrator, assistant director, assistant administrator, clerical and secretarial staff, professional staff, other administrative staff, licensed staff, attendant supervisors, or maintenance staff. See the TAC reference for additional details and exceptions.

1 TAC §355.112(b)

Bad Debt - Unrecoverable revenues due to uncollectible accounts receivable. Bad debts are not reported on the Medicaid cost report.

1 TAC §355.103(b)(20)(M)

Building (Facility) Costs - Costs to be reported as Facility Costs. When allocating shared administrative costs (central office costs) based upon the total-cost-less-facility-cost allocation method, the building (facility) costs to be removed from the cost calculation include Lease/Rental of Building/Facility/Building Equipment; Insurance for those items; Utilities, Maintenance and Contract Services of those items; Mortgage Interest; Ad Valorem Taxes; and Depreciation for Building/Facility/Building Equipment/Land/Leasehold Improvements. Building costs must exclude any goodwill (see definition for *Goodwill*).

Business Component - A separate business entity; a state contract, program, or grant; or an operation separate from the contracted provider's contract that makes up part of the total group of entities related by common ownership or control (i.e., one part of the entire related organization such as Medicare, CACFP, etc.). Each separate contract with the state of Texas is usually considered a separate business component / entity. For the IID programs, each component code within a program is considered a separate business component. See also Central Office.

Central Office - Any contracted provider who provides administrative services shared by two or more business components is considered to have a central office. For cost-reporting purposes, a "central office" exists if there are shared administrative functions that require allocation across more than one business. Central office costs are also known as allocated shared administrative costs. The shared administrative functions could be provided by a separate corporation or partnership, or they could be a separate department or separate accounting entity within the contracted entity accounting system. The shared administrative functions could be provided in their own building or co-located with one of the entities for which they provide administrative services (e.g., the shared administrative functions could be provided from spare office space within a programmatic location).

If an organization consists of two or more contracted entities/business components/service delivery programs that are owned, leased or controlled through any arrangement by the same business entity, that organization probably has administrative costs that benefit more than one of the contracted entities/business components/service delivery programs, requiring that the shared administrative costs be properly allocated across the contracted entities/business components/service delivery programs benefiting from those administrative costs. Typical shared administrative costs may include costs related to the chief executive officer (CEO), chief financial officer (CFO), payroll department, personnel department and any other administrative function that benefits more than one business component. See also the Instructions for Central Office.

1 TAC §355.103(b)(7)

Chain - Contracted entities/business components/service delivery programs that have a common owner or sole member or are managed by a related-party management company are considered a chain. A chain may also include business organizations which are engaged in activities other than the provision of the Medicaid program services in the state of Texas. This means that the business components could:

- Be located within or outside of Texas;
- Provide services other than the Medicaid services covered by this cost report, and
- Provide services which may or may not be delivered through contracts with the state of Texas.

Charity Allowance - A reduction in normal charges due to the indigence of the resident/participant. This allowance is not a cost since the costs of the services rendered are already included in the contracted provider's costs.

Combined Entity - one or more commonly owned corporations and/or one or more 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.

Common Ownership - Exists when an individual or individuals possess any ownership or equity in the contracted provider and the institution or organization serving the contracted provider. If a business entity provides goods or services to the provider and has common ownership with the provider, the business transactions between the two organizations are considered related-party transactions and must be properly disclosed. Administrative costs shared between entities that have common ownership must be properly allocated and reported as central office costs (i.e., shared administrative costs). See the definition for Related Party.

1 TAC §355.102(i)(1)

Compensation of Employees - Compensation includes both cash and non-cash forms of compensation subject to federal payroll tax regulations. Compensation includes wages and salaries (including bonuses); payroll taxes and insurance; and benefits. Payroll taxes and insurance include Federal Insurance Contributions Act (old age, survivors, and disability insurance (OASDI) and Medicare hospital insurance); Unemployment Compensation Insurance; and Workers' Compensation Insurance.

1 TAC §355.103(b)(1)

Compensation of Owners and Related Parties - Compensation includes both cash and non-cash forms of compensation subject to federal payroll tax regulations. Compensation includes withdrawals from an owner's capital account; wages and salaries (including bonuses); payroll taxes and insurance; and benefits. Payroll taxes and insurance include Federal Insurance Contributions Act (old age, survivors, and disability insurance (OASDI) and Medicare hospital insurance); Unemployment Compensation Insurance; and Workers' Compensation Insurance. Compensation must be made in regular periodic payments, must be subject to payroll or self-employment taxes, and must be verifiable by adequate documentation maintained by the contracted provider.

1 TAC §355.103(b)(2)

Contract Labor - Labor provided by non-staff individuals. Non-staff refers to personnel who provide services to the contracted provider intermittently, whose remuneration (i.e., fee or compensation) is not subject to employer payroll tax contributions (e.g., FICA/Medicare, FUTA, or SUTA) and who perform tasks routinely performed by employees. Contract labor does not include consultants.

Contract Management - See definition for *Management Services*

Contracted Beds - Not applicable for the DAHS Cost Report

Contracted Provider See definition for *Provider*

Contracted Staff - See definition for *Contract Labor*

Contracting Entity - The business component with which Medicaid contracts for the provision of the Medicaid services included on this cost report. See Instructions for **Step 4.**

Control - Exists if an individual or an organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. Control includes any kind of control, whether or not it is legally enforceable and however it is exercised. It is the reality of the control which is decisive, not its form or the mode of its exercise. Organizations, whether proprietary or nonprofit, are related through control to their directors in common.

1 TAC §355.102(i)(1) and 1 TAC §355.102(i)(3)

Controlling Entity - The individual or organization that owns the contracting entity. Controlling entity does not refer to provider's contracted management organization.

Courtesy Allowance - A reduction in normal charges granted as a courtesy to certain individuals, such as physicians or clergy. This allowance is not a cost since the costs of the services rendered are already included in the contracted provider's costs.

Cost Report Group Code - The number used to identify an individual cost report. HHSC PFD will group one or more DAHS contracts for each legal entity into a DAHS Cost Report(s) depending on rate enhancement participation level (if applicable), cost reporting period and other factors, and will assign the Cost Report Group Code

DAHS Cost Report – A single cost report that will collect cost data for the DAHS program.

Depreciation Expense - The periodic reduction of the value of an asset over its useful life or the recovery of the asset's cost over the useful life of the asset. For additional information, see Instructions for **Step 8.e.**

1 TAC §355.103(b)(10)

Direct Care - Care provided by provider personnel (i.e., Attendants, RNs, LVNs and Therapists) in order to directly carry out the individual plan of care.

Direct Cost - An allowable expense incurred by the provider specifically designed to provide services for this program. If a general ledger account contains costs (including expenses paid with federal funds) attributable to more than one program, the individual entries to that general ledger account which can be specifically "charged" to a program should be charged to that program (i.e., direct costed or directly charged). Those general ledger entries that are shared by one or more programs should be properly allocated between those programs benefited. If an employee performs direct care services for more than one program area (or organization or business component), it will be necessary to direct cost (i.e., directly charge) that employee's costs between programs based upon actual timesheets rather than using an allocation method. If an employee performs both direct care services and administrative services within one or more organizations/business components, it will be necessary to document the portion of that employee’s costs applicable to the delivery of direct care services based upon daily timesheets; time studies are not an acceptable method for documenting direct care employees’ costs. Direct costs include both salary-related costs (i.e., salaries, payroll taxes, employee benefits, and workers’ compensation costs) and non-labor costs such as the employee’s office space costs (e.g., facility costs related to the square footage occupied by the employee’s work area) and departmental equipment (e.g., computer, desk, chair, bookcase) used by the employee in the performance of the employee’s duties. See definition for *Direct Costing*.

Direct Costing - A method of assigning costs specifically to particular units, divisions, cost centers, departments, business components, or service delivery programs for which the expense was incurred. Costs incurred for a specific entity must be charged to that entity. Costs that must be direct costed include health insurance premiums, life insurance premiums, other employee benefits (e.g., employer-paid disability insurance, employer-paid retirement contributions, and employer-operated child day care for children of employees), and direct care staff salaries and wages. See definition for *Direct Cost*.

Facility Costs - See definition of *Building Costs.*

Goodwill - The value of the intangible assets of a business, especially as part of its purchase price. Goodwill is not an allowable cost on the cost report. See instructions for **Step 8** for instructions on the removal of goodwill.

Legend Drug (prescription drug) - Any drug that requires an order from a practitioner (e.g., physician, dentist, nurse practitioner) before it may be dispensed by a pharmacist, or any drug that may be delivered to a resident by a practitioner during the practitioner's practice.

Management Services - Services provided under contract between the contracted provider and a person or organization to provide for the operation of the contracted provider, including administration, staffing, maintenance, or delivery of resident/participant care services. Management services do not include contracts solely for maintenance, laundry, or food service. If the provider contracts with another entity for the management or operation of the program, the provider must report the specific direct services costs of that entity and not the amount for which the provider is contracting for the entity's services. Expenses for management provided by the contracted provider's central office must be reported as central office costs.

1 TAC §355.103(b)(6) and 1 TAC §355.457(b)(2)(A)

Medicaid-only Resident/Participant – Residents/participants who are eligible recipients of Medicaid vendor payments and who ARE NOT ELIGIBLE for payments for ancillary services from other sources (such as Medicare or private insurance).

Necessary - Refers to the relationship of the cost, direct or indirect, incurred by a provider to the provision of contracted care. Necessary costs are direct and indirect costs that are appropriate in developing and maintaining the required standard of operation for providing care for individuals in accordance with the contract and state and federal regulations. See TAC reference for additional requirements.

1 TAC 355.102(f)(2)

Net Expenses - Gross expenses less any purchase discounts or returns and purchase allowances. Only net expenses should be reported on the cost report.

1 TAC §355.102(k) and 1 TAC §355.103(b)(18)(D)

Non-Medicaid Residents/Participants - Non-Medicaid residents/participants include, but are not limited to, private pay, private insurance.

Non-Reimbursed Service

Report any units where an individual received services, but the unit was not reimbursed by any payer source. This can include individuals served who lost Medicaid eligibility that were not reimbursed and thus there is no associated revenue at the time.

Owner - An individual (or individuals) or organization that possesses ownership or equity in the contracted provider organization or the supplying organization. A person who is a sole proprietor, partner, or corporate stockholder-employee owning any of the outstanding stock of the contracted provider is considered an owner, regardless of the percentage of ownership.

1 TAC §355.102(i)(2)) and 1 TAC §355.103(b)(2)(A)(i)

Private Pay

Report any units of service and revenue for DAHS services that were paid by another payer source. This can include private pay and private insurance. Do not report: Veterans Administration and Qualified Medicare Beneficiary (QMB), STAR Kids, Medically Dependent Children's Program (MDCP), Personal Care Services (PCS) or other forms of Medicaid services. Do not include Medicare or federal government services or other business components not listed.

Provider - The individual or legal business entity that is contractually responsible for providing Medicaid services, i.e., the business component with which Medicaid contracts for the provision of the services to be reported in this cost report. Also known as contracted provider. See definitions for *Component Code, Contracting Entity*, and *Cost Report Group.*

Purchase Discounts - Discounts such as reductions in purchase prices resulting from prompt payment or quantity purchases, including trade, quantity, and cash discount result from the type of purchaser the contracted provider is (i.e., consumer, retailer, or wholesaler). Quantity discounts result from quantity purchasing. Cash discounts are reductions in purchase prices resulting from prompt payment. Reported costs must be reduced by these discounts prior to being reported on the accountability report.

1 TAC §355.102(k)

Purchase Returns and Allowances - Reductions in expenses resulting from returned merchandise or merchandise that is damaged, lost, or incorrectly billed. Expenses must be reduced by these returns and allowances prior to being reported on the cost report.

1 TAC §355.102(k)

Reasonable - Refers to the amount expended. The test of reasonableness includes the expectation that the provider seeks to minimize costs and that the amount expended

does not exceed what a prudent and cost-conscious buyer pays for a given item or service. See TAC reference for additional considerations in determining reasonableness.

1 TAC 355.102(f)(1)

Refunds and Allowances - Reductions in revenue resulting from overcharges.

Reimbursement Methodology for DAHS - Rules by which HHSC determines daily payment rates for DAHS services that are statewide and uniform by class of service and level of need.

1 TAC §355.6907

Related - Related to a contracted provider means that the contracted provider to a significant extent is associated or affiliated with, has control of, or is controlled by the organization furnishing services, equipment, facilities, leases, or supplies. See the definitions of Common Ownership, Control and Related Party.

1 TAC §355.102(i)(1)

Related Party - A person or organization related to the contracted provider by blood/marriage, common ownership, or any association, which permits either entity to exert power or influence, either directly or indirectly, over the other. In determining whether a related-party relationship exists with the contracted provider, the tests of common ownership and control are applied separately. Control exists where an individual or organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other. The existence of an immediate family relationship will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests where the significance tests are met. The following persons are considered immediate family for cost-reporting purposes: (1) husband and wife; (2) natural parent, child and sibling; (3) adopted child and adoptive parent; (4) stepparent, stepchild, stepsister, and stepbrother; (5) father-in-law, mother-in-law, brother-in-law, son-in-law, sister-in-law, and daughter-in-law; (6) grandparent and grandchild; (7) uncles and aunts by blood or marriage; (8) first cousins, and (9) nephews and nieces by blood or marriage. Disclosure of related-party information is required for all allowable costs reported by the contracted provider. **Step 6** and **Step 8** of STAIRS both have sub steps designed for reporting compensation of related parties (both wage and contract compensation) and related-party transactions, including the purchase/lease of equipment, facilities, or supplies, and the purchase of services including related-party loans (i.e., lending services). See also definitions of *Common Ownership, Control, Related,* and *Related-Party Transactions*. See also the Cost Report Training materials.

1 TAC §355.102(i)

Related-Party Transactions - The purchase/lease of buildings, facilities, services, equipment, goods or supplies from the contracted provider's central office, an individual related to the provider by common ownership or control, or an organization related to the provider by common ownership or control. Allowable expenses in related-party transactions are reported on the cost report at the cost to the related party. However, such costs must not exceed the price of comparable services, equipment, facilities, or supplies that could be purchased/leased elsewhere in an arm's-length transaction.

1 TAC §355.102(i)

Resident - Any individual residing in a residential Medicaid program facility.

Resident Day - Services for one resident for one day. The day the resident is admitted is counted as a day of service. The day the resident is discharged is not counted as a day of service. A resident day is also known as a day of service and is the unit of service for a residential Medicaid program.

Revenue Refunds - Reductions in revenue resulting from overcharges.

Safety Program - An ongoing, well-defined program for the reduction/prevention of employee injuries. The costs to administer such a program may include the development/purchase and maintenance of a training program and safety officer/consultant costs. Salaries and wages for staff administering the safety program must be based upon the hours worked on the safety program (from actual timesheets or time studies). These safety program costs should be reported as Administration Costs.

Self-insurance – See **Appendix E.**

1 TAC §355.103(b)(13)(B)

Startup Costs - Those reasonable and necessary preparation costs incurred by a provider in the period of developing the provider's ability to deliver services. Startup costs can be incurred prior to the beginning of a newly formed business and/or prior to the beginning of a new contract or program for an existing business. Allowable startup costs include, but are not limited to, employee salaries, utilities, rent, insurance, employee training costs, and any other allowable costs incident to the startup period. Startup costs do not include capital purchases, which are purchased assets meeting the criteria for depreciation as described in the Cost Determination Process Rules. Any costs that are properly identifiable as organization costs or construction costs must be appropriately classified as such and excluded from startup costs. Allowable startup costs should be amortized over a period of not less than 60 consecutive months. If the business component or corporation never commences actual operations, or if the new contract/program never delivers services, the startup costs are unallowable.

1 TAC §355.103(b)(20)(D)

Vendor Hold - HHSC rules specify that Medicaid payments from HHSC may be withheld from contracted providers in certain specific situations, as described in 1 TAC §355.111.

Workers' Compensation Costs - For cost-reporting purposes, the costs accrued for workers' compensation coverage (such as commercial insurance premiums and/or the medical bills paid on behalf of an injured employee) are allowable. Costs to administer a safety program for the reduction/prevention of employee injuries are not workers' compensation costs; rather, these costs should be reported as Administration Costs. See definition of *Safety Program.*

[i] CARES Act, H.R. 748, 116th Cong.