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Ambulance Services Supplemental Payment Program (ASSPP)

FFY 2023 Cost Report Training

Rate Analysis Program Contacts

Contacts:

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For assistance with:

- ASSPP Program-Related Questions
  Provider Finance Department Email: PFD_Hospitals@hhsc.state.tx.us

- Receipt of the report, STAIRS technical assistance
  Phone: (512) 438-2680, Email: CostInformationPFD@hhs.texas.gov

- Issues with your STAIRS Login:
  Fairbanks, LLC. Phone: (877) 354-3831, Email: info@fairbanksllc.com

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GovDelivery Updates

As HHSC shifts to official communications via GovDelivery, please register via the link to receive relevant and timely information from HHSC.

To create an account:

https://service.govdelivery.com/accounts/TXHHSC/subscriber/new

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Updates To The Ambulance Cost Report Per CMS

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New directive is to step down costs to only costs related to direct medical services

- The proposed methodology from CMS is applying a percent reduction to the total ambulance costs for the program period to only the amount associated with direct patient care
- HHS allows support for these percent reductions to be either supported by Computer Assisted Data (CAD) data that shows the time spent from Ambulance arrived, to clear/returning.
- The other method allowed for supporting the percent the costs are reduced by is time studies
- If providers submit their own or an alternative method, HHSC will review and if determined to be unallowable, the costs will be disallowed in the cost report

Updates To The Ambulance Cost Report

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A new updated to sections 4 and 5

- There is a new dynamic question, if the provider wishes to use a CAP, IDCR or De minimis Rate of 10% they should select which they want to use, the CAP, IDCR, and the De minimis Rate of 10% will be based on the Modified Total Direct Cost per CFR 2 A § 200.68, if they have none, they should mark no, this will default the cost report to the normal state.
- Another update providers should input the direct medical percentage step down based on CAD data or time studies. The percentage should be supported by detail.
- We are now requesting all payments received for all charges within the reporting period. This entry field will be summaries, but providers should be able to provide support when requested.

Updates To The Ambulance Cost Report

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A new updated to sections 8

- There is a new drop down in 8a (depreciation) to identify if an item has indirect costs associated with it. If it does, then it should be identified as an indirect cost.
- 8.b. Facility, Operations and Other Costs has also been updated to help providers label their Direct and indirect costs. These costs are reported as a total in STAIRS but the support for these costs should be item level detail including how indirect costs are identified and how they are reduced to just the amounts allowable per the program and per 45 C.F.R. § 75 Subpart E and 45 C.F.R. § 75.2. Direct and indirect costs should be costs readily assignable to the Medicaid objective of furnishing GEMT services.

Source Locations

https://pfd.hhs.texas.gov/acute-care/ambulance-services/ambulance-services-supplemental-payment-program-asspp-cost-report-training-information contains the following resources:

- Presentation slides
- Cost Report Instructions
- Webinar registration links

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Texas Administrative Code References

Title 1:

- 354.1111 Definitions
- 354.1113 Additional Claim Information Requirements
- 354.1115 Authorized Ambulance Services
- 355.101-107 Cost Determination Process
- 355.8600 Reimbursement Methodology for Ambulance Services
- 355.8210 Waiver Payments to Governmental Ambulance Providers for Uncompensated Charity Care

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1115 Waiver History

1. Section 1115 waivers were designed to test and implement coverage approaches in the Medicaid program that do not meet federal program rules but have also raised policy issues.
2. Section 1115 of the Social Security Act gives the Secretary of Health and Human Services (HHS) the authority to waive provisions of major health and welfare programs authorized under the act and to allow states to use federal Medicaid funds in ways that are not otherwise allowed under federal rules.
3. The Texas 1115 demonstration waiver was approved at the discretion of the Secretary of HHS through negotiations between the State of Texas and the Centers for Medicare & Medicaid Services (CMS).
4. Section 1115 waivers are generally approved for a five-year period and then must be renewed.
5. The federal government enforces the required budget neutrality by establishing a federal funding cap over the life of the waiver.

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1115 Waiver

How does this program exist?

Supplemental payment funding, managed care savings, and negotiated funding will go into 3 statewide pools over fifteen years.

Funding from the pools will be distributed to hospitals and other providers to support the following objectives:

(1) Uncompensated Care (UC)

(2) Direct Payment Programs (DPPs)

(3) Public Health Provider -- Charity Care Program (PHP-CCP)

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Supplemental Payments Relationships

1115 Waiver

PHP-CCP

DPPs

Uncompensated Care Pool

- Dental
- Physician Groups
- Hospitals

Ambulance Services

Reimbursement Methodology Rule Amendments

2012 Waiver Approval:

- **Effective March 1, 2012**, approved governmental providers are eligible to report and receive reimbursement for uncompensated care costs.
- These reimbursements are made available due to the **approval** of the Healthcare Transformation and Quality Improvement 1115 Waiver Program (1115 Demonstration Waiver).

2017 Waiver Renewal:

- Effective January 1, 2018, approved governmental providers are eligible to report and receive reimbursement for uncompensated care costs.
- **Effective October 1, 2019, approved governmental providers are eligible to report and receive reimbursement for uncompensated charity care costs*.**
- These reimbursements are made available due to the **renewal** of the Healthcare Transformation and Quality Improvement 1115 Waiver Program (1115 Demonstration Waiver).

** Note: The methodology change is mandated by CMS through the terms established in the Texas Healthcare Transformation and Quality Improvement Program Special Terms and Conditions (STC's) document (CMS Waiver List No. 11-W-00278/6).*

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Reimbursement Methodology Rule Amendments

Technical correction- The Center of Medicare and Medicaid Services (CMS) requested that HHSC make modifications to the Ambulance UC protocol to restrict the ability of providers to claim costs more than those for direct medical care associated with uninsured charity care. The changes in the protocol and cost report tool will specify that UC Ambulance providers report uninsured charity care costs directly attributed to direct medical services. These changes are currently under review by CMS.

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ASSPP Overview

Ambulance Services are nonemergency and emergency patient transports that are approved by the Station's Charity Care Policy.

These services include out-of-hospital acute medical care, transport to definitive care, and other medical transports to patients with illnesses and injuries which prevent the patients from transporting themselves.

Patient transports include ground, fixed wing/rotary, and water transports.

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ASSPP Overview

To be eligible to receive and retain federal reimbursement for the Texas Medicaid Ambulance program, a provider must:

- Be enrolled and approved as a provider with the Texas Medicaid & Healthcare Partnership (TMHP);
- Ensure that services are provided by approved/qualified providers as indicated in the Texas Medicaid Provider Procedures Manual (TMPPM);
- Submit a request and receive approval from HHSC to be eligible to participate in the Ambulance Services Supplemental Payment Program;
- Bill for allowable Medicaid services delivered in the Ambulance program;
- Abide by HHSC rules and regulations;
- Complete training for every odd-year cost report in order to complete cost reports for that year and the next year;
- Submit an annual Ambulance Cost Report; and
- Comply with all state and federal audits.
- Starting DY9 have a Charity Care policy that is valid per the HFMA guidelines

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Purpose of the Cost Report

The purpose of the Ambulance Supplemental Payment Cost Report is to provide approved governmental ambulance providers with the opportunity to receive supplemental payments if the governmental ambulance provider's allowable costs exceed the revenues received during an applicable service period.

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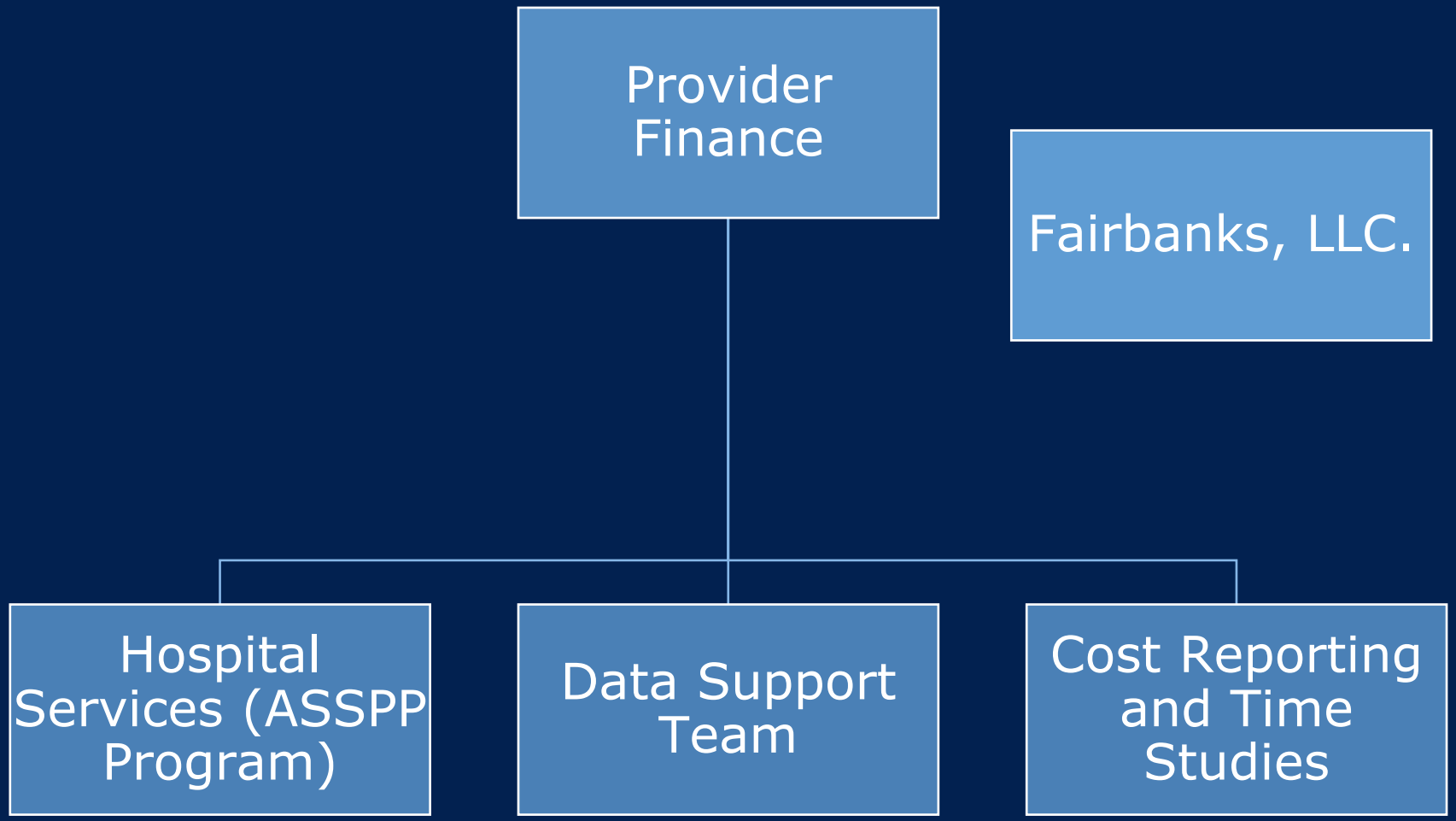
Organizational Overview



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Cost Report Training Requirements

It is the provider's responsibility to ensure that each cost report preparer has completed the required state-sponsored cost report training.

Preparers must complete cost report training :

- For each program for which a cost report is submitted.
- Every other year for the odd-year cost report to receive a certificate to complete both that odd-year cost report and the following even-year cost report.

If a new preparer wishes to complete an even-year cost report and has not completed the previous odd-year cost report training, he/she must:

- Receive training credit to complete the even-year cost report, and then
- Complete an even-year cost report training.

NO EXEMPTIONS from the cost report training requirements will be granted.

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How to Complete a Cost Report

Basic Steps:

- Log in to the State of Texas Automated Information Reporting System (STAIRS);
- Review your prior year's cost report and respective adjustments, if applicable;
- Read the current year's Cost Report specific instructions;
- Gather all the supporting documentation;
- Review the General Ledger for unallowable costs and classification errors;

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How to Complete a Cost Report

- Develop work papers that clearly reconcile between the provider's fiscal year end trial balance and the amounts reported on the Cost Report;
- Complete all required allocations;
- Complete the cost report steps in order on STAIRS, as required;
- Transfer values from your allocation worksheets and reconciliations to appropriate cost report items;
- Check for errors;
- Complete the Preparer Certification page and the Cost Report Certification page.

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Allowable Costs: Reasonable Criteria

Cost are allowable ***only*** if they are **reasonable** and **necessary** and **are incurred in the provision of a Medicaid-covered service**.

"Allowable costs – Expenses that are reasonable and necessary for the normal conduct of operations relating to the provision of ground and air ambulance services" [1 TAC §355.8600(b)(1)]

Reasonable Cost:

- The provider seeks to minimize costs through arm's-length transactions.
- The amount expended does not exceed what a prudent, cost-conscious buyer pays for a given item or service.

Allowable Costs: Necessary Criteria

Necessary Costs:

- Costs are for developing and maintaining the required standard of operation for client care.
- Not personal costs.
- Directly or indirectly related to providing a Medicaid-covered service.
- Costs that are allocated per program are substantiated.

"Allowable costs—Expenses that are reasonable and necessary for the normal conduct of operations relating to the provision of ground and air ambulance services" [1 TAC §355.8600(b)(1)]

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Allocable Costs

1. A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received. This standard is met if the cost:

Is incurred specifically for the Federal award;

Benefits both the Federal award and other work of the non-Federal entity and can be distributed in proportions that may be approximated using reasonable methods; and Is necessary to the overall operation of the non-Federal entity and is assignable in part to the Federal award in accordance with the principles in this subpart.

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Allocable Costs continued

All activities which benefit from the non-Federal entity's indirect (F&A) cost, including unallowable activities and donated services by the non-Federal entity or third parties, will receive an appropriate allocation of indirect costs.

(c) Any cost allocable to a particular Federal award under the principles provided for in this part may not be charged to other Federal awards to overcome fund deficiencies, to avoid restrictions imposed by Federal statutes, regulations, or terms and conditions of the Federal awards, or for other reasons. However, this prohibition would not preclude the non-Federal entity from shifting costs that are allowable under two or more Federal awards in accordance with existing Federal statutes, regulations, or the terms and conditions of the Federal awards.

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Allocable Costs continued

Direct cost allocation principles. If a cost benefits two or more projects or activities in proportions that can be determined without undue effort or cost, the cost must be allocated to the projects based on the proportional benefit. If a cost benefits two or more projects or activities in proportions that cannot be determined because of the interrelationship of the work involved, then, notwithstanding paragraph (c) of this section, the costs may be allocated or transferred to benefitted projects on any reasonable documented basis. Where the purchase of equipment or other capital asset is specifically authorized under a Federal award, the costs are assignable to the Federal award regardless of the use that may be made of the equipment or other capital asset involved when no longer needed for the purpose for which it was originally required. See also §§ 75.317 through 75.323 and 75.439.

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Capital Expenditures

Per 45 CFR 75.439

Capital expenditures for general purpose equipment, buildings and land are unallowable

Capital expenditures for special purpose equipment are allowable as direct costs.

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Cost Report - Eligible Costs

Cost reports eligible under Texas Healthcare Transformation and Quality Improvement 1115 Waiver Program will include only allocable expenditures related to Uncompensated Charity Care as defined and approved in the 1115 Waiver Program.

For information regarding the definition to Uncompensated Cost, please refer to the Cost Report Instruction Guide listed on the HHSC Website under the reporting heading.

https://pfd.hhs.texas.gov/acute-care/ambulance-services

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Uninsured Charity Costs

1. Beginning with DY9, all programs under the 1115 waiver will transition to uninsured charity care. The 2020 cost report has been updated to reflect this change. HHSC will still collect Medicaid and FFS charges, but uninsured charity cost will be used to calculate payments.
2. All claims for uninsured charity costs must be accompanied by a Charity Care or Financial Assistance Policy.
3. Charity Care Policies cannot be retroactively applied to claims. Any uninsured charity claims can be made only after the charity care policy was established.

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Allowable Costs: Salary, Wages, and Benefits

Allowable employee benefits are reported as either:

Salaries and wages: Benefits reported as salaries and wages are directly charged to the individual employee to include paid vacation days, paid holidays, paid sick leave, other paid leave, and bonuses.

Employee benefits: Employer contributions to deferred compensation plans, retirement funds or pension plans, certain employer-paid health/medical/dental and disability insurance premiums and paid claims, employer-paid life insurance premiums, employer-paid child day care for children of employees.

Costs applicable to specific cost areas.

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Allowable Cost: Other Benefit Expenses

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

- Employer-paid training/educational costs
- Employee relations costs
- Uniforms
- Mileage reimbursement

Note:

Report cost as a salary if your entity deduces taxes from the reimbursement.

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Allowable Costs: Other Benefit Expenses

Providers must maintain documentation which clearly identifies each type of compensation. Examples of required documentation include:

- Insurance policies
- Provider benefit policies
- Records showing paid leave accrued and taken
- Documentation to support hours (regular & overtime)
  - Hours worked and wages paid
- Mileage logs
- Travel Allowances

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Allocation and Documentation of Compensation

Allocation of Compensation

Only employer-paid health, medical, dental, and disability paid claims can be allocated.
All other employee benefits and/or insurance must be direct-costed.

Documentation of Compensation

Providers must maintain documentation which clearly identifies each type of compensation. Examples of required documentation:

1. Payroll documentation to support hours worked (both regular and overtime) and wages paid;
2. Insurance policies and provider benefit policies;
3. Records showing paid leave accrued and taken;
4. Mileage logs; and
5. Travel allowances.

For more information on documentation, see 1 TAC §355.105(b)(2)(B)

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Allowable and Unallowable Costs

Allowable compensation for outside consultants and services provided by outside vendors must be reasonable, necessary, AND related to the provision of emergency transport services.

Expenses are not allowable if they are not directly related to emergency medical transport services. Investment management and stockholder and public relations activities are examples of unallowable expenses.

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Service	Allowable Costs	Unallowable Costs
Accounting & Auditing	Preparation of business tax reports, business tax returns, financial statements, cost reports, and/or financial audits.*	Preparation of personal tax returns or single audit, fees related to litigation between a provider and a governmental entity, annual reports, reports to stockholders or other interested parties, investment management.
Legal Services	Legal expenses that are clearly enumerated as to the amount and subject of the action.*	Legal fees associated with: • Litigation between a provider and a governmental entity; • Court-ordered awards of damages or settlements (with an exception for certain workers' compensation settlements) or a criminal conviction; • Any other unallowable costs.
Advertising & Public Relations	Advertising costs associated with: • Advertising for recruiting necessary personnel; • Advertising to meet statutory or regulatory requirements, such as program standards, rules, or contract requirements; • Telephone directory listings (such as yellow page listings) in the provider's service area (up to 1/8 page) or in a directory of similar facilities if the listings are consistent with practices common and accepted in the industry; • Advertising to procure items related to contracted client care.	Costs associated with: • Advertising which seeks to increase client utilization; • Advertising for the issuance or sale of a contracted provider's own stock; • Business promotional advertising; • Public relations costs; • The development of logos or other company identification.

Allowable Costs: Accounting/Audit/Legal Fees

Accounting, Audit, and Legal Fees

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

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

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Service	Allowable Costs	Unallowable Costs
Loan Interest	Reasonable and necessary interest on current and capital indebtedness is allowable; the loan must have been made to satisfy a financial need for a purpose reasonably related to contracted client care. Allowable interest expenses are limited to that net portion of interest accrued which has not been reduced or offset by interest income. The following must be met: • Loan must be supported by evidence of a loan contract;** • Loan must be made in the name of the contracted provider entity; • The proceeds of the loan must be used for allowable costs.	Loan is associated with: • Investing in operations other than contracted services; • Unallowable items; • The purpose of creating excess working capital.
Staff Training	Training expenses are allowable as long as the training has a direct relationship to employee's job responsibilities, such as: • CPR • On-the-job training • Instructors • Training materials • Registration fees	Training expenses for a training that does not have a direct relationship to the employee's job responsibilities.
Dues or Contributions to Organizations	Dues or fees for professional associations or for maintaining professional accreditation.	Dues or contributions associated with lobbying, civic organizations, or nonprofessional organizations.

Allowable Costs: Employer Expenses

Interest Expense

Loan Documentation:

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

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Allowable Costs: Training Costs

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

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

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Allowable and Unallowable Costs

Fines and Penalties

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

Fundraising & Investment Management

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

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Allowable and Unallowable Costs

Allowable Taxes:

- Generally, taxes assessed against the provider and for which the provider is liable for payment are allowable costs.
- Employment-related taxes such as FICA, workers' compensation, and both federal and state unemployment compensation.

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Allowable Costs: Travel Costs

The maximum for lodging per diem and meals per diem costs is 150% of the General Services Administration (GSA)'s federal travel rates for maximum lodging and meal reimbursement rates. The GSA's travel rates may be found at:

https://www.gsa.gov/travel/plan-book/per-diem-rates

For locations not specifically listed by the GSA, the current daily rates are listed by the Texas Comptroller of Public Accounts.

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

- For allowable staff training ***not*** available in Texas;
- For delivering services within 25 miles of the Texas border (adjoining states, but not Mexico).

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Allowable Costs: Mileage Rates

Period	Business use	Charity use	Medical or military moving	Source
2024	67	14	21	IR-2023-239
2023	65.5	14	22	IR-2022-234
7/1/2022-12/31/2022	62.5	14	22	IR-2022-124
1/1/2022-6/30/2022	58.5	14	18	IR-2021-251

Standard Mileage Rates can be found here
http://www.irs.gov/Tax-Professionals/Standard-Mileage-Rates

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Depreciation

Allows providers to claim costs associated with long-lived assets over time that are used in operating ambulance services

The basic formula for straight line yearly depreciation expense is:

$$\frac{\text{Historical Cost} - \text{Salvage Value}}{\text{Useful Life in Years}}$$

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Summary Table

Fiscal Year	Historical Cost	Minimum Useful Life	Depreciate or Expense
After 1997	$1,000 or more	1 year or more	Depreciate
After 2004	$2,500 or more	1 year or more	Depreciate
After 2015	$5,000 or more	1 year or more	Depreciate

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Ambulance Buildings

- The entire building (i.e., the shell and all components) may be treated as a single asset and depreciated over a single useful life, with a:
  - Minimum salvage value of 10 percent
  - Minimum useful life of 30 years
- Exclude the cost of land

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Source: TAC Title 1 §355.103(b)(10)

Building Allocation

- If the building is used by both a fire department and an ambulance service, an allocation rate must be applied
  - Separate and distinct usages require allocation based upon square footage
  - If shared, the amount should be allocated based upon "a reasonable method that reflects actual usage"

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Source: TAC Title 1 §355.102(j)(3)

Vehicles – Useful Lives

- 3 year minimum for automobiles (including minivans);
- 5 year minimum for light trucks and vans (up to and including 15-passenger vans); and
- 7 years for buses and airplanes
- Unallowable vehicles – those not generally suited or not commonly used to transport clients, staff, or provider supplies (Examples: motor homes, RVs, motorcycles, sports automobiles, heavy trucks, tractors, etc.)
- All vehicles that do not provide direct patient care are unallowable

Source: TAC Title 1 §355.103(b)(10)

Mileage Logs

- Not required if the ground transportation equipment is used 100% for ambulance services. Must be stated in a written policy & policy must be followed.
- If required, mileage logs must include the following information for each individual trip:
  - Date, time of day (beginning and ending), driver, persons in the vehicle, trip mileage (beginning, ending, and total), purpose of the trip, and the allocation centers defined below.
    - the departments, programs, and/or business entities to which the trip costs should be allocated.

Source: TAC Title 1 §355.105(b)(2)(B)(iii)

Example Mileage Log

HHSC Emergency Medical Services Mileage Log

Date: 10/31/2011

Vehicle Information — Make: Chevy; Model: Suburban; Year: 2011

Beginning Odometer Reading: 10,000

Ending Odometer Reading: 10,065

Driver	Passengers	Purpose of Trip	Odometer Reading Beginning	Odometer Reading Ending	Total	Program Allocation
Chief Huggins	Asst. Chief Moorad	Fin. Meeting - EMS Budget	10000	10005	5	EMS
Chief Huggins	None	Fire Call	10005	10025	20	Fire
Chief Huggins	None	Fire Call w/EMS	10025	10042	17	Fire/EMS
Chief Huggins	Asst. Chief Moorad	EMS ConfAustin	10042	10065	23	EMS
				Total	65	

Legend

Department	Cost Center
Central Office	HHSC-1000
EMS	HHSC -2000
Fire	HHSC-3000
Police	HHSC-4000
XXXXXXX	HHHC-XXXX

Daily Summary

Cost Center	Mileage
HHSC-1000	0
HHHC-2000	36.5
HHSC-3000	28.5
HHSC-4000	0
Total	65

Ambulance Equipment

Use the minimum schedules consistent with "Estimated Useful Lives of Depreciable Hospital Assets," published by the American Hospital Association.

- **Website**: 2018 Estimated Useful Lives of Depreciable Hospital Assets, PRINT format (aha.org)
- **Phone**: 1-800-242-2626
- **E-Mail**: AHA-ORDERS@PDD.COM

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Source: TAC Title 1 §355.103(b)(10)

Ordinary Repairs

- Recurring
- Usually involve expenditures for parts and labor to keep the asset in operating condition
- Don't add materially or to the value of the asset or increase its life
- Usually combined with maintenance costs
- Examples: painting, copy machine repair, oil changes, etc.

EXPENSE THESE COSTS AS INCURRED

Source: TAC Title 1 §355.103(b)(9)(A)

Extraordinary Repairs

- Expenditures not normally recurring
- Usually increase the value (efficiency, use utility, or life) of an asset
- Examples: vehicle overhauls, replacing a roof, and strengthening the foundation of a building

DEPRECIATE IF:

- Cost $2,500 or more
- Useful life in excess of one year

ADD TO THE COST OF THE ORIGINAL ASSET AND DEPRECIATE OVER REMAINING LIFE (OR EXTEND USEFUL LIFE ACCORDINGLY)

Source: TAC Title 1 §355.103(b)(9)(B)

Depreciation: Documentation

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

1. Historical cost
2. Date of purchase
3. Depreciable basis

Must be accessible for each depreciable asset:

1. Estimated useful life
2. Accumulated depreciation
3. Calculation of gains and losses upon disposal

Descriptions with unacceptable insufficient detail: "kitchen equipment," "current year purchases," "office furniture," etc.

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

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Unallowable Depreciation

"Depreciation and amortization expenses for unallowable assets and costs are also unallowable, including amounts in excess of those resulting from the straight-line method, capitalized lease expenses in excess of actual lease payments, and goodwill or any excess above the actual value of physical assets at the time of purchase."

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Source: TAC Title 1 §355.103(b)(10)

Unallowable Assets

Examples:

- Fire Apparatus:
  - Engines
  - Ladder Trucks
  - Tactical Vests
  - Brush Truck
  - Hazard Materials Vehicle
  - Pike Poles

  All vehicles that do not provide direct patient care are unallowable

Lumping assets together in order to meet a cost threshold is NOT allowed.

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Cost Allocation

The purpose of a cost allocation plan is to summarize in writing, the methods and procedures that the organization will use to allocate costs to various programs, grants, contracts, and agreements.

General guidance on cost allocation for federal grant funded programs is provided from the Office of Management and Budget (OMB) for state, local, and Indian tribal governments.

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Cost Allocation – Central Office

Administrative costs are indirect costs produced by administrative functions. Administrative costs can be directly charged or shared. If these costs are shared, they are considered central office costs and must be allocated. Administrative functions include:

- General Administrative Oversight
- Central Management
- Personnel Functions
- Accounts Payable
- Accounts Receivable
- General Ledger Accounting Functions
- Payroll Functions
- Benefit Management Functions
- Purchasing Functions

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Cost Allocation – Central Office

Costs related to administrative functions include:

- Salaries/wages
- Payroll taxes
- Employee benefits
- Supplies
- Office space
- Operations costs (travel/training)

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Cost Allocation – Direct Cost

Direct costs are those that can be identified specifically with a particular final cost objective.

Direct costs chargeable to supplemental reimbursement are:

- Compensation of employees for the time devoted and identified specifically to the performance of those awards
- Cost of materials acquired, consumed, or expended specifically for the purpose of those transports
- Equipment and other approved capital expenditures
- Travel expenses incurred specifically to carry out the transport

Direct cost of a minor amount may be treated as an indirect cost for practicality when accounting treatment for that cost is consistently applied to all cost objectives.

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Cost Allocation- Indirect Cost

Indirect costs are defined in accordance with 45 CFR 75.414 and may include costs benefitting more than one cost objective, and not readily assignable to the cost objectives specifically benefitted Cost Centers which included cost for those cost centers that are not solely dedicated to one activity but may be allocated to multiple activities. These shared costs may include:

- Building/facility rent or lease
- Utilities costs
- Telecommunications costs
- Administrative staff salaries/wages
- Advertising expenses

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Allocation of Time – Time Sheets

Must properly document any staff whose duties include:

Multiple direct service types, both direct and indirect service component types, and/or both direct hands-on support, and first-level supervision of direct care workers.

Must Maintain:

- Continuous record of time on a daily basis throughout the entire reporting period
- Records indicating the direct charge of ALL hours worked in each job function and activity for the entity

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Allocation of Time – Time Sheets

Time sheets must include the following:

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

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Time Sheet Example

HHSC Central Office Admin Support Daily Time Sheet

EMPLOYEE NAME: Marium DeMarco DATE: 10/31/11

TIME(hh:mm)		Duties	Cost Centers by Department (Enter time in minutes)						
BEGINNING	ENDING	Activities Performed	HR-1000	Legal-2000	Finance-3000	EMS-2000	Fire 5000	PD-6000	*Shared Admin costs
8:00 AM	9:30 AM	Payroll	90						
9:30 AM	10:30 AM	Accounting			60				
10:30 AM	11:15 AM	Meeting EMS				45			
11:15 AM	12:30	Meeting FIRE Dept					45		
12:30 PM	1:00 PM	Travel Back to Office				30	30		
1:00 PM	2:00 PM	Lunch							60
1:30 PM	2:30 PM	Voucher Processing			60				
2:30	3:30	AMB Waiver Issues							
3:30	4:30 PM	Annual Leave / Vacation							60
Total Minutes per Cost Center			90	0	120	75	75	0	120

* Shared Admin Costs - Paid Lunches; Annual Leave; Sick Leave, Jury Duty; etc.

Legend

Department	Cost Center
Central Office	HHSC-1000
Legal	HHSC-2000
Finance	HHSC-3000
EMS	HHSC-4000
Fire	HHSC-5000
PD	HHSC-6000
Shared Admin Time	HHSC-7000

Daily Summary

Cost Center	Total Minutes
HHSC-1000	90.00
HHSC-2000	0.00
HHSC-3000	120.00
HHSC-4000	75.00
HHSC-5000	75.00
HHSC-6000	0.00
HHSC-7001	120.00
Total Minutes	480.00

Allocation of Shared Time

Alloc/%	Alloc Time	Total Time
25%	30	120
0%	0	0
33%	40	160
21%	25	100
21%	25	100
0	0	0
360.00	120.00	480

Jane Smith, CPA, MBA Date: 9/30/2011

Signature:

Jerry Pritchard, City Manager Date: 11/1/2011

Supervisor Signature/ Title:

Payroll Taxes and Federal Funding Reductions

- All federal funding should be reported in step 7 of the cost report. Supporting documents can be labeled as "Step 7 support."
- Payroll taxes should be reported on the most appropriate place in the Payroll taxes table.
- Non-payroll funds should be placed under the Federal Funding and other reductions table. A detailed description for any non-payroll funds can be placed in the notes as shown below.

Do you have other non-payroll reductions to report?	Yes
Please report any non-payroll reductions here:	Note: HHS/CARES Act Provider Relief Funds

Report Certifications

Cost Report Certification:

- Is required and formally acknowledges that the cost report is true, correct, complete, and prepared according to all rules and regulations.
- Must be completed & signed by an individual legally responsible for the conduct of the provider, such as the authorized agent.
- The responsible party must have ASSPP training credits for the corresponding reporting period.
- The responsible party's signature must be notarized.

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Report Certifications

Claimed Expenditures:

- Certifies that expenditures are allocable and allowable to the State Medicaid program under Title XIX of the Social Security Act and in accordance with all procedures, instructions and guidance issued by the single state agency and in effect during the cost report year.
- Government Provider Name, Total Computable amount, and reporting period dates are auto-populated.
- Must be completed & signed by an individual legally responsible for the conduct of the provider such as the authorized agent.
- The responsible party's signature must be notarized.
- The responsible party should read the certification statements carefully before signing the form before a notary.

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Cost Report Submission/Review Process

1. Completed cost reports will now be accepted ***ONLY*** through STAIRS.
2. Cost report review unit will conduct the desk review.
3. Hospital Services Rate Analysts will reconcile Uninsured Charity payments and charges.
4. HHSC administers payment to providers (September 30)

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Unacceptable Cost Reports

- Not completed in accordance with rules, instructions, and policy clarifications
- Not completed for the correct reporting period
- Not completed using a modified accrual method or cash basis of accounting
- Preparer did not submit the required documentation (certification pages, allocation summaries, contractual agreements)
- Provider does not have supporting work-papers
- Provider fails to provide requested information/documentation in a timely fashion
- Provider used unacceptable allocation method

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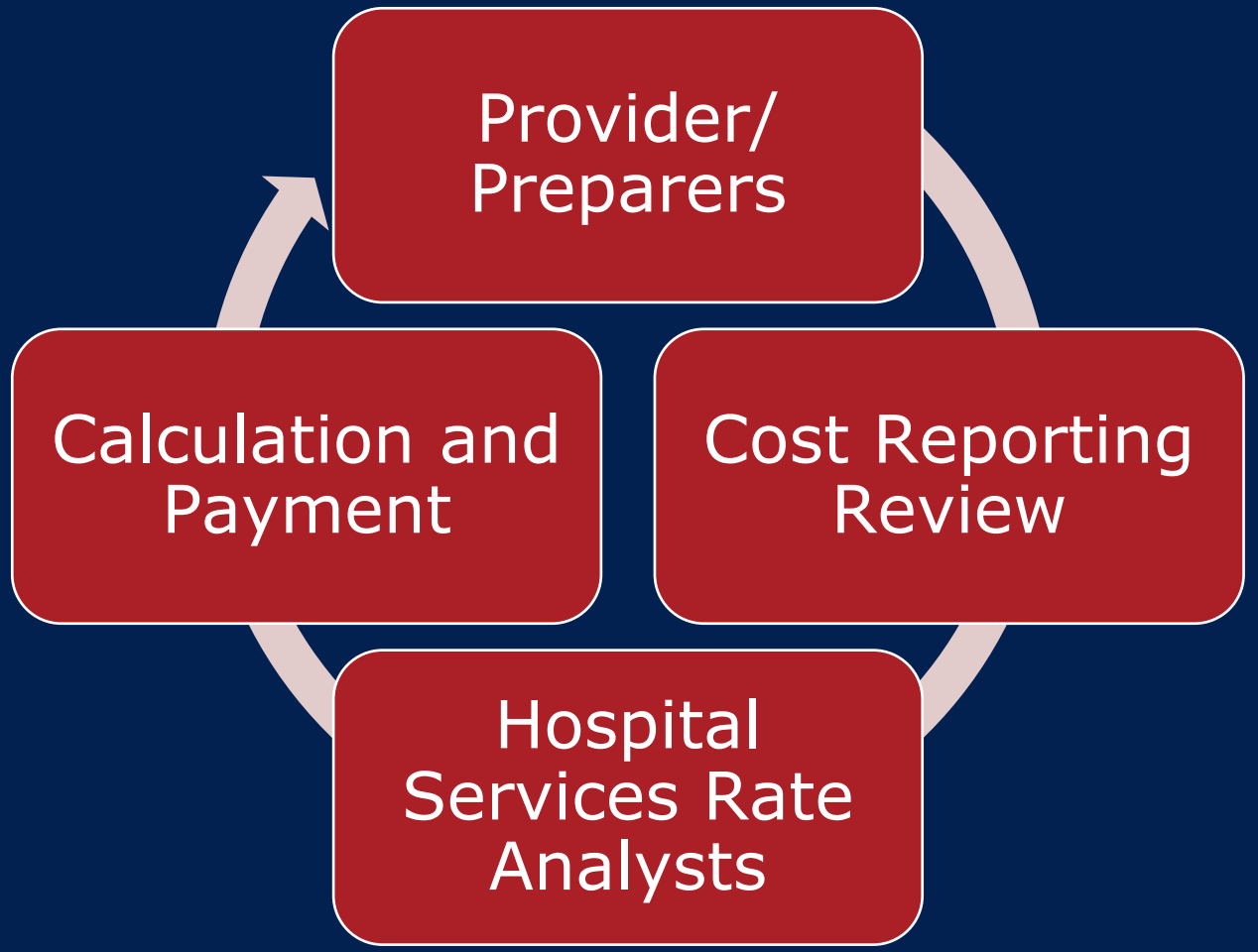
Cost Reporting Process



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Desk Reviews

Providers are responsible to respond to the cost reporting financial examiners within 15 days from the date HHSC requests clarification and/or additional information.

Through STAIRS, the provider will be notified that the exclusions and adjustments reports for providers are available. These reports identify:

- Items that have been adjusted
- The amount of each adjustment
- The reason for each adjustment

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Cost Settlement Methodology

HHSC captures all allowable costs and reduces allowable costs down to the direct medical costs, charges within a reporting period, and creates a cost-to-charge ratio. That ratio is then applied specifically to the Uninsured Charity Care charges. After applying the ratio, the new remainder is reduced by the payments to those Uninsured Charity Care charges. The new amount is then multiplied by the Federal Medical Assistance Percentages to calculate the amount due to the provider before the reduction based on pool size.

Direct Uninsured Charity Care Cost-to-Charge Ratio – ((Report Total Allowable Direct Medical Costs for the Period of Service*the percent of direct medical hours) / Total Billed Charges for the Period of Service)*Total Billed Uninsured Charity Care charges for Reporting Period.

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Informal Reviews

1. Informal Review

2. Appeals Process

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Informal Review Requests

- Due within 30 days of notification.
- Must include items in dispute, recommended resolution, and supporting documentation.
- Must be signed by the individual legally responsible for the conduct of the contracted provider or their legal representative.
- Only the cost determination process (allowable and unallowable expenses) can be disputed in an informal review and formal appeal.

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Appeal Process

If a governmental entity does not agree with the decision made by the HHSC Provider Finance Division after informal review, the entity has an option to appeal through the HHSC appeal process.

Formal appeals are conducted in accordance with the provisions of Chapter 357, Subchapter I of this title (relating to Hearings under the Administrative Procedure Act).

Requests for a formal appeal from the interested party must be received within 15 calendar days after the interested party receives the written decision. Requests must be sent via email (only) to pfd_hospitals@hhsc.state.tx.us. HHSC will reply to your email confirming receipt.

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Medicaid Records Retention Policy

State laws generally govern how long medical records are to be retained. However, the Health Insurance Portability and Accountability Act (HIPAA) of 1996 (HIPAA) administrative simplification rules require a covered entity (such as a physician billing Medicare) to retain required documentation for six years from the date of its creation or the date when it last was in effect, whichever is later.

HIPAA requirements preempt State laws if they require shorter periods. Your State may require a longer retention period. The HIPAA requirements are available at 45 CFR 164.316(b)(2).

(https://www.gpo.gov/fdsys/pkg/CFR-2007-title45-vol1/pdf/CFR-2007-title45-vol1-sec164-316.pdf)

The Centers for Medicare & Medicaid Services (CMS) requires records of providers submitting cost reports to be retained in their original or legally reproduced form for a period of at least 5 years after the closure of the cost report. This requirement is available at 42 CFR 482.24[b][1].

(http://www.access.gpo.gov/nara/cfr/waisidx_05/42cfr482_05.html)

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Questions?

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