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2021 RC Cost Report Training

Housekeeping

- Break
- Hold Questions
- How to ask questions - (“Chat”)
- Mute your Phone, email messages, IM or skype
- Provider Finance will track training attendance internally
- Webinar monitors attendance



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Introduction



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Rates for Texas Long-term Services and Supports (LTSS) Medicaid programs are developed by the Texas Health and Human Services Commission (HHSC) Provider Finance Department (PFD). PFD works closely with HHSC to coordinate service definitions, rules, and rates.

The 2020 RC Cost Report is due on **April 30, 2021**.

HHSC Provider Finance Contact Information



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For Assistance With	Telephone	E-mail
Cost or Accountability Report completion, instructions, informal reviews and/or general guidance	(512) 424-6637	PFDTSS@hhs.texas.gov
Cost or Accountability Report Excusals		PFDCostReportVerification@hhs.texas.gov
Cost Report Requests and Submission or STAIRS Technical Assistance	(512) 438-2680	CostInformationPFD@hhs.texas.gov
Enrollment for Rate Enhancement and Training Information and Registration	(512) 438-2680	costreporttrain@hhsc.state.tx.us

Training Objectives

- Promote effective communication between preparers and Provider Finance Department.
- Provide information necessary to complete the RC Cost Report
- Proactively address items and responsibilities that have historically been problematic for new preparers



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Cost Report Excusals



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Examples of reasons for cost report excusals:

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

If you meet any of the above criteria, then you may be eligible for a cost report excusal.

To apply for an excusal, please
email: **PFDCostReportVerification@hhs.Texas.gov**

For more information about cost report excusals, please visit our
website:

<http://rad.hhs.texas.gov/long-term-services-supports/cost-report-excusal-information>

Topics to be Covered

- COVID-19 Funding and Cost Reporting
- HHSC & DFPS
- Why are Cost Reports Important?
- RC Program-Specific Information
- How a Cost Becomes a Rate
- Desk Reviews and Field Audits
- Informal Reviews
- Formal Appeals Requests
- How to Complete a Cost Report
- Miscellaneous
- Unacceptable Cost Reports
- Vendor Hold
- Allowable and Unallowable Costs
- Insurance Costs
- Depreciation
- Related-Parties, Transactions & Compensation
- STAIRS



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COVID-19 Funding and Cost Reporting

HHSC Provider Finance has issued guidelines for how COVID-19 funds should be reported/offset on the 2020 cost report and/or 2021 accountability report.

These guidelines are based on the Coronavirus Aid, Relief, and Economic Security (CARES) Act and the Texas Administrative Code guidelines/requirements



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What is the Cares Act?

The CARES Act was passed by Congress and signed into law on March 27th, 2020.

The CARES Act provides relief for individuals and businesses that have been negatively impacted by the coronavirus outbreak.



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What Does the Cares Act Require?

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....”**

In this case, Medicaid is considered an “Other Source” that is obligated to reimburse the expense of providing Medicaid services.



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What Does the TAC Require?

The TAC provides, “Grants and contracts from federal, state or local government...**should be offset, prior to reporting on the cost report,** against the particular cost or group of costs for which the grant was intended....”.

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.



Provider Relief Funds

Cost Report Preparers **should offset** any provider relief funds recognized as revenue by the provider in 2020, not reimbursed by another source against any costs incurred in response to COVID-19.

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



Provider Relief Funds

PRF used for Lost Revenue:

- PRF revenue recognized in 2020 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.
- On the Nursing Facility cost report, providers must report any PRF revenue recognized as a result of lost revenue in Step 5c. All other providers should submit this information, upon request.



PPP Loans

Salaries and Wages: 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.

Non-Payroll Expenses: cost report preparers **should offset** non-payroll related expense for the portion of the PPP loan utilized for those non payroll items.



PPP Loans

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.



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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....”.



Local Funds

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**.



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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.

Rate Enhancement recoupments are determined based on spending requirements associated with attendant/direct care compensation (such as wages, benefits, and mileage reimbursement).



Cares Act Offsets and Rate Enhancement

The offset of PRF and PPP revenues, previously mentioned, **should not impact the hours reported** for any department on the cost or accountability report related to direct care hours for staffing.

While the offset of some of the PRF and PPP revenues could reduce specific salaries reported on the cost report, the number of hours reported should agree with the actual hours related to the unadjusted salaries.

If you paid the salary using PRF or PPP dollars, the actual hours incurred will not change and do not reduce them on the Cost or Accountability report.



Support 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 2020 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, PPP, etc.). Do not provide the State with a copy of these reports and/or any applicable support documentation for these reports.



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COVID-19 Related Questions

- Did you experience a decrease in costs/utilization directly related to COVID-19?
- Did you incur an increase in costs directly related to COVID-19?
- Did you incur costs for a category that historically is not incurred when administering/delivering this program/service?
- Did you receive local, state or federal grants directly related to COVID-19?



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HHSC & DFPS



- Rates for long term care programs are developed by Provider Finance for Long Term Services and Supports (LTSS) at the Health and Human Services Commission (HHSC).
- Long Term Care programs are ADMINISTERED by the Health and Human Services Commission (HHSC) and the Department of Family and Protective Services (DFPS – 24-Hour Residential Child Care only).
- Provider Finance staff work closely with staff at HHSC and DFPS to coordinate program administration, service definitions, billing guidelines and rates.

Why are Cost Reports Important?

The data from Texas Medicaid cost reports is used for:

- Rate setting;
- Legislative appropriations requests;
- Determining rate enhancement compliance;
- Obtaining cost information for special circumstances and special research projects.



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Due to the Cost Report Reform, Provider Finance will collect:



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Setting	Even-Year	Odd-Year
Residential (HCS, ICF/IDD, NF, RC)	Cost Report	Accountability Report
Non-Residential (CPC, DAHS)	Accountability Report	Cost Report
24 RCC	Cost Report	Cost Report
DBMD	Accountability Report	Accountability Report

How a Cost Becomes a Rate



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1. The Preparer or Provider completes their cost report in STAIRS
2. The STAIRS file is verified and all necessary documentation is provided by the Provider
3. Edit check is performed by Provider Finance
4. Desk review is performed by HHSC
5. Post-audit data cleanup is performed by Provider Finance
6. Informal review and/or formal appeal (if applicable) is performed by Provider Finance
7. Database(s) are created to analyze data to calculate proposed rates
8. PFD submits rates to HHSC for approval and adoption.

Desk Reviews and Field Audits

Desk Reviews verify that each cost report:

- Correctly reports allowable and unallowable costs.
- Follows Generally Accepted Accounting principles (GAAP) except as otherwise specified.
- Follows cost report instructions and rules.
- Is supported by documentation.
- Records must be accessible to HHSC Cost Report Review Unit (CRRU) within 10 working days of notification.



Desk Reviews and Field Audits

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

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



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Informal Review Request



- Due within 30 days of notification.
- Must include items in dispute, recommended resolution, supporting documentation.
- Must be signed by the individual legally responsible for the conduct of the HHSC or DFPS contracted provider or their legal representative.
- Hand delivery, U.S. mail, special mail delivery, or email

Formal Appeal Request

- Due within 15 days of notification.
- Limited to issues and documentation from Informal Review.
- Must be signed by the individual legally responsible for the conduct of the HHSC or DFPS contracted provider or their legal representative.



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How to Complete a Cost Report

The basic steps for completing a cost report are as follows:

- Log in to the State of Texas Automated Information Reporting System (STAIRS);
- Review your prior year's cost report(s) and respective adjustment(s), if applicable;
- Read the published instructions for the corresponding cost report program and year;
- Gather all required documentation;
- Review the General Ledger for unallowable costs and classification errors;



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How to Complete a Cost Report (continued)

- Create work papers that clearly reconcile between your fiscal year and end trial balance, and the amounts reported on your cost report (and include the cost report steps on your reconciliation);
- 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 your work for errors;
- Complete the Preparer (Methodology Certification) page and the Cost Report (Provider) Certification page.



Miscellaneous Information

- Round \$ amounts to 0 places; round statistical information to 2 places.
- Accrual method of accounting must be used for any proprietary contractors.
- To be allowable, accrued expenses must be incurred during the cost reporting period and must be paid within 180 days after the end of that cost reporting period.
- Records must be maintained a minimum of 3 years and 90 days after the end of the provider's fiscal year or after the resolution of all litigation, claims and audit findings involving the cost report, if that is a later.



Problems (Unacceptable Cost Reports)

- Not completed in accordance with rules, instructions, and policy clarifications
- Not completed for the correct reporting period
- Not completed using an accrual method of accounting (except governmental entities required to operate on a cash basis)
- Preparer has not submitted required documentation (certification page, allocation summaries, leases, or management agreements)
- Auditor is unable to reconcile to provider's work papers
- Provider fails to provide requested information/ documentation in a timely fashion
- Provider does not having supporting work papers
- Provider used unacceptable allocation method



Vendor Hold



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

Allowable Costs: Reasonable Criteria

Costs are allowable if they are considered both "reasonable" and "necessary".

Reasonable Costs:

- Costs are minimized through arm's-length transactions*
- The amount does not exceed what a prudent, cost-conscious buyer pays for a given item or service



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Allowable Costs: Necessary Criteria

Necessary Costs:

- Costs are for developing and maintaining the required standard of operation for client care (within local, state, and federal regulations)
- Costs are not personal costs
- Costs are directly or indirectly related to providing the contracted service
- Costs that are allocated per program are substantiated

**Arm's-length transactions are transactions between parties that are not related by blood, marriage or control. Less-than-arm's-length transactions are transactions between related parties.*



Allowable Forms of Compensation

Allowable forms of compensation include both cash and non-cash forms of compensation subject to federal payroll tax regulations, in the form of salaries and wages (including bonuses), payroll taxes, and employee benefits, as seen below.

Salaries and Wages (including bonuses)

- Bonuses paid to employees in arm's-length transactions are allowable costs, subject to the reasonable and necessary costs criteria.

Payroll Taxes

- Federal Insurance Contribution Act (FICA), Workers' Compensation, and Unemployment Compensation are allowable costs.



Allowable Forms of Compensation

Benefits

- Allowable employee benefits are reported as either salaries and wages, employee benefits, or costs applicable to specific cost report line items.
- Benefits that must be reported as salaries and wages and directly charged to the individual employee include paid vacation days, paid holidays, paid sick leave, and other paid leave.



Allowable Forms of Compensation (continued)

- Costs that must be reported as benefits and directly charged to the individual employee include:
 - Employer contributions to deferred compensation plans
 - Retirement funds
 - Pension plans
 - The costs of employer-paid health/medical/dental/disability insurance premiums and paid claims
 - Employer-paid child day care for children of employees
 - Accrued paid days off not yet subject to payroll taxes



Allowable Forms of Compensation (continued)

- Benefits that are reported as costs applicable to specific cost report line items include:
 - Employer-paid training/educational costs
 - Employee relations costs
 - Uniform
 - Non-cash incentives
 - Mileage reimbursement
 - Meals

An example of an unallowable form of compensation is a gift card -- these are not subject to federal payroll tax regulations.

For more information, see

[1 TAC §355.103\(b\)\(1\) - Compensation of employees.](#)



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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:

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

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



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Allowable & Unallowable Costs

Direct Reimbursements

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

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



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Allowable and Unallowable Costs

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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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: <ul style="list-style-type: none"> • 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 and Unallowable Costs

Service	Allowable Costs	Unallowable Costs
Loan Interest	<p>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.</p> <p>Allowable interest expenses are limited to that net portion of interest accrued which has not been reduced or offset by interest income.</p> <p>The following must be met:</p> <ul style="list-style-type: none"> • 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. 	<p>Loan is associated with:</p> <ul style="list-style-type: none"> • Investing in operations other than contracted services; • Unallowable items; • The purpose of creating excess working capital.
Staff Training	<p>Training expenses are allowable as long as the training has a direct relationship to employee's job responsibilities, such as:</p> <ul style="list-style-type: none"> • CPR • On-the-job training • Instructors • Training materials • Registration fees 	<p>Training expenses for a training that does not have a direct relationship to the employee's job responsibilities.</p>
Dues or Contributions to Organizations	<p>Dues or fees for professional associations or for maintaining professional accreditation.</p>	<p>Dues or contributions associated with lobbying, civic organizations, or nonprofessional organizations.</p>



Allowable and Unallowable Costs

Employee Morale and Welfare

ALLOWABLE: To the extent they are incurred in accordance with written policy and only as indirect costs, expenses related to employee morale and welfare are limited to \$50.00 per employee per year.



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Allowable and Unallowable Costs

Employee Morale and Welfare

ALLOWABLE: To the extent they are incurred in accordance with written policy and only as indirect costs, expenses related to employee morale and welfare are limited to \$50.00 per employee per year.



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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.



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Allowable and Unallowable Costs

Fundraising & Investment Management



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

Allowable and Unallowable Costs: Taxes



Allowable Taxes:

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

Allowable and Unallowable Costs: Taxes

Unallowable Taxes:

- Tax expenses based on fines and penalties;
- Federal income taxes and excess profit or surplus revenue based taxes, including any interest or penalties paid;
- Taxes connected to financing, refinancing, or refunding operations, such as taxes on the issuance of stocks or bonds, or property transfers;
- Taxes from which exemptions are available to the contracted provider;
- Special assessments on land which represent capital improvements;
- "Pass-through" taxes such as sales taxes; and
- Self-employment taxes.



Allowable and Unallowable Costs: Travel

Maximum allowable travels costs for allowable activities:

- 150% of [General Service Administration's](#) (GSA's) per diem federal travel rates for maximum lodging and meal reimbursement rates, by destination.
- 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 which is not available in the state of Texas;
- For delivering client services within 25 miles of the Texas border (adjoining states but not Mexico).



Allowable and Unallowable Costs: Travel



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Expenses for private aircraft are allowable only if:

- Written documentation supporting the calculations for expenses for private aircraft and commercial alternatives, and flight logs are maintained as specified in [§355.105\(b\)\(2\)\(B\)\(iii\)](#); and
- The documentation demonstrates that the expenses for travel via private aircraft were not greater than those for commercial alternatives at the time the travel took place.

Source: [1 TAC §355.103\(b\)\(15\)\(B\) - Travel costs.](#)

Allowable and Unallowable Costs: Insurance Expenses

Purchased & Commercial Insurance

Providers may purchase insurance from:

Commercial carriers

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

Limited purpose insurers

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

Special risk management funds or pools

- Fund or pool must be operated by a third party which assumes some of the risk.
- Fund or pool must have an annual actuarial review.



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Allowable and Unallowable Costs: Insurance Expenses



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Self-insurance

Occurs when a provider assumes the risk to protect itself against anticipated insurance liabilities and no other entity shares any of the risk; this can also be described as being uninsured. Costs are allowable on a cash, claims-paid basis with certain limitations.

Partial Self-insurance

Similar to self-insurance, except another entity shares part of the risk. Includes a stop-loss policy or some other method to share the risk between the provider and the third party.

Allowable and Unallowable Costs: Insurance Expenses



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Self-insurance Documentation Requirements

Ensure that documentation is maintained that supports the amount of claims paid each year. Other documentation will also be required. For more information on documentation, see TAC 355.105(b)(2)(B)(ix).

Life Insurance

Unallowable for the lives of owners, officers, and key employees where the contracted provider is a direct or indirect beneficiary.

Allowable and Unallowable Costs: Miscellaneous

Miscellaneous allowable costs

Employee relations expenses: To the extent that they are incurred in accordance with written policy and only as indirect costs, expenses related to employee morale and welfare are limited to \$50.00 per employee per year.

Research and development, organization, and startup costs: Some of these costs are allowable. *Please see [§355.103\(b\)\(20\) - Miscellaneous costs](#) for more information.*



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Allowable and Unallowable Costs: Miscellaneous



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Miscellaneous unallowable costs

Bad debt: A bad debt is a reduction in revenue resulting from unrecoverable revenue in uncollectible accounts created or acquired in the provision of contracted client care.

Business expenses not directly related to contracted services

Charity or courtesy allowances: A charity allowance is a reduction in normal charges due to the indigence of the client or resident. A courtesy allowance is a reduction in charged granted as a courtesy to certain individuals, such as physicians or clergy.

Fines and penalties: Fines and penalties for violations of regulations, statutes, and ordinances of all types. Penalties or charges for late payment of taxes, utilities, mortgages, loans, or insufficient banking funds.

For more information on this section and other miscellaneous costs, please see [§355.103\(b\)\(20\) - Miscellaneous costs](#).

Allowable and Unallowable Costs: Miscellaneous



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Goodwill: the intangible, salable asset arising from the reputation of a business and its relationship with its customers, as represented by the excess of the price paid over a company's fair market value.

In-kind donations are donations of property, goods, and services. The value of the donation is not an allowable cost; but occasionally related costs such as maintenance are allowable. See [§355.103\(b\)\(19\) - In-kind donations](#) for more information.

Lobbying costs

Losses resulting from theft or embezzlement

For more information on this section and other miscellaneous costs, please see [§355.103\(b\)\(20\) - Miscellaneous costs](#).

Depreciation

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

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

Depreciate items if:

- Cost $>$ or $=$ \$5,000 and
- $>$ 1 Year Useful Life

Expense items if:

- Cost $<$ \$5,000 or
- $<$ or $=$ 1 Year Useful Life



Depreciation

- Use straight-line method
- Begin depreciation in month placed in service
- End depreciation when asset is fully depreciated or taken out of service
- Do not claim depreciation for the month taken out of service



Depreciation

Buildings

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



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Depreciation

Transportation Equipment

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



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Depreciation

Specialized Transportation Equipment

- Specialized equipment added to a vehicle to assist a client should be depreciated separately from the vehicle
- Wheelchair lifts have an estimated useful life of five years



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Depreciation

Ground Transportation – Mileage Logs

NOT REQUIRED IF:

- Used solely (100%) for provision of contracted client services delivering ONE type of contracted care or contract
- Provider has a written policy that states that the equipment is restricted to that use and the policy is followed

REQUIRED IF:

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

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



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Depreciation

Ground Transportation – Mileage Logs

Minimum elements:

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



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Depreciation



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Mileage Log

Date 5/27/20XX

Vehicle Information Make Honda
Model Civic
Year 2008

Beginning Odometer Reading 27,855
Ending Odometer Reading 27,942

Driver	Passengers	Purpose of Trip	Odometer Reading			Program Allocation
			Beginning	Ending	Total	
Jane Smith	None	Supervisory Visit	27855	27865	10	PHC/FC
Jane Smith	None	Skilled Nursing	27865	27890	25	Medicare
Jane Smith	None	Lunch	27890	27900	10	None - Personal
Jane Smith	None	Supervisory Visit - ADLs	27900	27930	30	CBA - Supervisory
Jane Smith	None	Fill-in for Attendant	27930	27942	12	CBA - PAS
Total Miles:					87	

Daily Summary by Program & Contract Number		
Program	Contract #	Miles
PHC/FC	001019999	10
Medicare	XX XXXX	25
CBA	001018888	42
Personal	N/A	10

Depreciation

Depreciation of Luxury Vehicles

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

2013	\$41,184	2017	\$44,579
2014	\$42,008	2018	\$45,470
2015	\$42,848	2019	\$46,379
2016	\$43,705	2020	\$47,307



Depreciation

Repairs and Maintenance

Ordinary Repairs

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

EXPENSE AS INCURRED



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Depreciation



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Other Depreciation

All other assets must be depreciated consistent with the American Hospital Association's "Estimated Useful Lives of Depreciable Hospital Assets", 2018 edition.

Website: www.AHA.org/Eul

Phone: 1-800-242-2626

Depreciation: Documentation

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

- Historical cost
- Date of purchase
- Depreciable basis

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

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

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

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



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Related Parties

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

- Parent, child, sibling (including Step-children)
- Mother-in-law, Father-in-law
- Aunt, Uncle, Cousin

- Marriage
- Common ownership
- Control



Related Parties

Control

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

Common Ownership

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

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



Related Party Compensation

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

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



Related Party Compensation

Documentation should include:

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



Related Party Compensation: Bonuses



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- Must not represent profit sharing or be determined based on profit
- Must be clearly defined in written agreement or employment policy
- Must not be made only to, or discriminate in favor of, related parties

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

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

Related Party Compensation: Benefits

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

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

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



Related Party Compensation

Unallowable Compensation

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



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Related Party Transactions

You have a related-party transaction if:

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

Purchases

- Can be items or services
- From a related-party individual or organization



Related Party Transactions



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

Related Party Transactions

Calculate the cost to the related party:

- Of a building lease
- Purchases such as buildings and depreciable assets



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Attendant Compensation Rate Enhancement



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Attendant Compensation Rate Enhancement

- Improve quality of care by improving wages and benefits for staff providing direct care
- Participants receive an add-on to their per unit rate in order to increase compensation to attendants
- Participation is voluntary
- July enrollment
- Funds not spent according to requirements are recouped



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Participants of Rate Enhancement

- Once you've completed your cost report, it's to your benefit to complete the **optional worksheets** to find out if you face a recoupment.
- Don't submit these to PFD. They are optional, but they are valuable.
- We recommend you complete them on a **regular basis** throughout the year to be sure you're on track with meeting your spending requirement.
- They are in **Excel** so that you can download a working file.



Rate Enhancement Worksheets



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- Used to calculate maximum potential recoupment.
 - Remember that actual recoupment will not drop a provider below the nonparticipant level.
- Used periodically to check if you are meeting your spending requirement.

Steps of Rate Enhancement Worksheets

1. Go to the Provider Finance website at:
<https://rad.hhs.texas.gov/long-term-services-supports>
1. Select "Long-Term Services and Supports".
2. On the left side of the webpage, select your program type (Residential Care)
3. Under the heading "Reporting Information," Select "View 2020 Cost or Accountability Report"
5. Select "View the Cost Report Worksheets and Worksheet Instructions".



Rate Enhancement Worksheets



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- Notice there are multiple tabs in the worksheet. Be sure you fill out each one that is applicable to your business.
- Take the information from your STAIRS Cost Report and input in the worksheet.
- The worksheet will identify the Step and line item from which to get the information in STAIRS to report on the worksheet.

I'm Facing a Recoupment



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- If you're facing a recoupment, it isn't necessarily the end of the world.
- Bonuses are an acceptable way to avoid recoupments if you have a written policy and pay them within 180 days of the end of your reporting period.
- Be sure that the bonuses meet the requirements in rule discussed earlier. Gift cards do not meet those requirements!

Allocation Methods

Cost allocation determines the total costs attributable to a specific contract when costs are shared across multiple contracts within the same business entity or organization.

Allocation methods must be a reasonable reflection of the actual business operations of each contract AND consistently applied across all contracts that are sharing the costs.



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Allocation Methods



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Allocation Method	Summary of Allocation Method	Contract Makeup
Units of Service (UOS)	Ratio of each contract's units of service (including shared admin costs) to total units of service.	Separate contracts deliver equivalent services and use equivalent units of measurement (i.e., 1 day).
Labor Costs	Ratio of each directly charged labor cost for each contract to the total of these costs.	All contracts are mixed: labor-intensive costs AND programmatic or residential building costs.
Cost-to-Cost	Ratio of each of the directly charged costs to the total of these costs. Used if UOS allocation not acceptable.	Labor-intensive contracts, OR all contracts have programmatic or residential building costs.
Salaries	Ratio of each of contract's salaries to the total salaries for all contracts (used if UOS allocation not acceptable).	Labor-intensive contracts, OR all contracts have programmatic or residential building costs.
Total-Cost-Less-Facilities-Cost	Ratio of each contract's total costs minus each contract's facility/building costs to the total of such costs. Used if UOS allocation not acceptable.	Mixed contracts: some contracts are labor-intensive, others have programmatic or residential building component.
Functional Allocation Methods	Functions shared across contracts are allocated across all contracts receiving its benefit, such as the number of laundry loads, number of maintenance service tickets, activity attendance records, transportation mileage logs.	Any function that benefits more than one contract.
Other Allocation Methods	Other proper allocation of shared costs.	Other

Allocation Methods

PFD Approved Allocation Methods Units of Service

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

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

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



Units of Service Allocation Method

Allocation Summary - UNITS of SERVICE



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Adjusted Trial Balance As of XX/XX/XXXX

Expenses:	Total Costs	Disallowed	Lake House	River House	Shared Costs	Allocated Shared Costs		CR Line Items	
			(RTC) Direct Costs	(RTC) Direct Costs		55.70% Lake House	44.30% River House	Lake House	River House
Salaries									
Administrative	125,347.28				125,347.28	69,818.43	55,528.85	xxx	xxx
Social Workers	157,288.47		87,434.22	69,854.25	-			xxx	xxx
Director - Child Services	33,254.88		25,458.97	7,795.91	-			xxx	xxx
Contracted Social Workers	4,572.08				4,572.08	2,546.65	2,025.43	xxx	xxx
Consultants	2,500.00				2,500.00	1,392.50	1,107.50	xxx	xxx
FICA/Medicare	24,165.63		8,636.33	5,940.24	9,589.07	5,341.11	4,247.96	xxx	xxx
State & Federal Unemployment	5,686.03		2,822.33	1,553.00	1,310.70	730.06	580.64	xxx	xxx
Workers's Compensation	0.00		0.00	0.00	-	-	-	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,506.00	1,197.77	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,506.50	1,993.50	xxx	xxx
Utilities	8,945.67		2,385.51	2,087.32	4,472.84	2,491.37	1,981.47	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,265.91	1,006.82	xxx	xxx
Office Supplies	1,501.80				1,501.80	836.50	665.30	xxx	xxx
Medical Supplies	874.64				874.64	487.17	387.47	xxx	xxx
Insurance - General Liability	1,254.00				1,254.00	698.48	555.52	xxx	xxx
Insurance - Malpractice	1,050.87				1,050.87	585.33	465.54	xxx	xxx
Travel	387.98	237.65	54.36	35.74	60.23	33.55	26.68	xxx	xxx
Advertising	402.87	104.97			297.90	165.93	131.97	xxx	xxx
Miscellaneous	601.47	254.74			346.73	193.13	153.60	xxx	xxx
Totals	384,689.08	597.36	130,847.41	90,589.68	162,654.63	90,598.63	72,056.00		

Units of Service Allocation Percentages:	Units of Service	Percentage
Lake House	9,961.50	55.70%
River House	7,924.25	44.30%
	<u>17,885.75</u>	<u>100.00%</u>

Labor Cost Allocation Method

Allocation Summary - Labor Cost Method									
Adjusted Trial Balance - We Care									
As of 12/31/XX									
Expenses:	Total Costs	Disallowed	Direct HCS	Direct ICF/IID	Direct CBA	Shared Costs	Allocated Shared Costs		
							43.04% HCS	30.36% ICF/IID	26.60% CBA
Salaries									
Administrative	125,347.28					125,347.28	53,946.59	38,054.21	33,346.48
HCS Attendants & NonAttendants	87,434.22		87,434.22			-			
ICF/IID Attendants & NonAttendants	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	1,075.94	758.98	665.08
FICA/Medicare	28,018.12		8,073.41	5,715.03	4,990.38	9,239.30	3,976.38	2,804.96	2,457.96
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	686.79	484.47	424.53
Employee Benefits	4,847.25		1,254.01	889.47	1,358.41	1,345.36	579.01	408.44	357.91
Workers' Compensation	0.00		0	0	0		0.00	0.00	0.00
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	860.75	607.18	532.07
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	855.56	603.52	528.85
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	739.54	521.68	457.14
Office Supplies	1,501.80					1,501.80	646.34	455.93	399.53
Medical Supplies	874.64				487.39	387.25	166.66	117.57	103.02
Insurance - Malpractice	1,050.87					1,050.87	452.27	319.03	279.57
Travel	387.98	204.65	54.36	35.74	84.97	8.26	3.55	2.51	2.20
Advertising	402.87	104.97				297.9	128.21	90.44	79.25
Miscellaneous	601.47	254.74				346.73	149.22	105.26	92.24
Totals	438,553.35	564.36	122,627.82	87,361.70	78,672.64	149,326.83	64,266.84	45,334.17	39,725.82
Labor Method Allocation Percentages:			Labor Costs	Percentage					
Total HCS			117,386.27	43.04%					
Total ICF/IID			82,804.89	30.36%					
Total CBA			72,561.00	26.60%					
			272,752.16	100.00%					



Total Cost Less Facility Allocation Method

Allocation Summary - TOTAL COST LESS FACILITY COST

Adjusted Trial Balance As of XX/XX/XXXX

Expenses:	Total Costs	Disallowed	Lake House	Home Finders	Shared Costs	Allocated Shared Costs		CR Line Items	
			(RTC)	(CPA)		59.33%	40.67%	Lake House	Home Finders
			Direct Costs	Direct Costs		Lake House	Home Finders	Lake House	Home Finders
Salaries									
Administrative	125,347.28				125,347.28	74,368.54	50,978.74	xxx	xxx
Social Workers	157,288.47		87,434.22	69,854.25	-	-	-	xxx	xxx
Director - Child Services	33,254.88		25,458.97	7,795.91	-	-	-	xxx	xxx
Contracted Admin. Employees	4,572.08		2,712.62	1,859.46	-	-	-	xxx	xxx
Consultants	2,500.00				2,500.00	1,483.25	1,016.75	xxx	xxx
FICA/Medicare	24,165.63		8,843.84	6,082.49	9,239.31	5,481.68	3,757.63	xxx	xxx
State & Federal Unemployment	5,686.03		2,822.33	1,553.00	1,310.70	777.64	533.06	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,604.15	1,099.62	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,669.85	1,830.15	xxx	xxx
Utilities	8,945.67	Facility Costs	2,385.51	2,087.32	4,472.84	2,653.73	1,819.10	xxx	xxx
Ad Valorem Taxes	3,256.88		842.64	1,834.64	579.60	343.88	235.72	xxx	xxx
Maintenance & Repairs	1,846.74		246.25	1,041.67	558.82	331.55	227.27	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,348.41	924.32	xxx	xxx
Office Supplies	1,501.80				1,501.80	891.02	610.78	xxx	xxx
Medical Supplies	874.64				874.64	518.92	355.72	xxx	xxx
Insurance - General Liability	1,254.00				1,254.00	744.00	510.00	xxx	xxx
Insurance - Malpractice	1,050.87				1,050.87	623.48	427.39	xxx	xxx
Travel	387.98	237.65	54.36	35.74	60.23	35.73	24.50	xxx	xxx
Advertising	402.87	104.97			297.90	176.74	121.16	xxx	xxx
Miscellaneous	601.47	254.74			346.73	205.71	141.02	xxx	xxx
Totals	389,792.70	597.36	134,856.43	95,467.70	158,871.21	94,258.29	64,612.92		

Total Costs-Less-Facility-Costs Allocation Percentages:

	Lake House	Home Finders	Totals
Total Costs	134,856.43	95,467.70	230,324.13
Less Facility Costs	(5,874.40)	(7,063.63)	(12,938.03)
Total Costs Less Facility Costs	128,982.03	88,404.07	217,386.10
Allocation Percentages	59.33%	40.67%	100.00%



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Allocation Methods



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Allocation Summary - LABOR COST METHOD												
Adjusted Trial Balance As of 12/31/20XX												
Expenses:	Total Costs	Disallowed	Direct Costs			Shared Costs	Allocated Shared Costs			Line Item		
			CBA	DAHS	DBMD		43.04% CBA	30.36% DAHS	26.60% DBMD	CBA	DAHS	DBMD
Salaries												
Administrative	125,347.28					125,347.28	53,949.47	38,055.43	33,342.38	xxx	xxx	xxx
CBA Attendants	87,434.22		87,434.22			-	-	-	-	xxx	xxx	xxx
DAHS Attendants	65,238.41			65,238.41		-	-	-	-	xxx	xxx	xxx
DBMD Habilitation Attendants	54,975.15				54,975.15	-	-	-	-	xxx	xxx	xxx
Sup./CBA, Intervenor/DBMD, DAHS/RN	33,254.88		13,528.48	9,467.85	10,258.55	-	-	-	-	xxx	xxx	xxx
Physical Therapists	4,572.08	Labor Costs	4,572.08			-	-	-	-	xxx	xxx	xxx
CPR Instructor	2,500.00					2,500.00	1,076.00	759.00	665.00	xxx	xxx	xxx
FICA/Medicare	28,018.12		8,073.41	5,715.03	4,990.38	9,239.30	3,976.59	2,805.05	2,457.65	xxx	xxx	xxx
State & Federal Unemployment	6,592.50		2,524.07	1,494.13	978.51	1,595.79	686.83	484.48	424.48	xxx	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	1,358.41	1,345.36	579.04	408.45	357.87	xxx	xxx	xxx
Workers' Compensation	0.00					-	-	-	-	xxx	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	2,500.00	2,000.00	860.80	607.20	532.00	xxx	xxx	xxx
Utilities	8,945.67		2,385.51	2,087.32	2,484.91	1,987.93	855.61	603.54	528.79	xxx	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	554.37	1,718.36	739.58	521.69	457.08	xxx	xxx	xxx
Office Supplies	1,501.80					1,501.80	646.37	455.95	399.48	xxx	xxx	xxx
Medical Supplies	874.64				487.39	387.25	166.67	117.57	103.01	xxx	xxx	xxx
Insurance - Malpractice	1,050.87					1,050.87	452.29	319.04	279.53	xxx	xxx	xxx
Travel	387.98	204.65	54.36	35.74	84.97	8.26	3.56	2.51	2.20	xxx	xxx	xxx
Advertising	402.87	104.97				297.90	128.22	90.44	79.24	xxx	xxx	xxx
Miscellaneous	601.47	254.74				346.73	149.23	105.27	92.23	xxx	xxx	xxx
Totals	438,553.35	564.36	122,627.82	87,361.70	78,672.64	149,326.83	64,270.27	45,335.63	39,720.94			
Labor Method Allocation Percentages:			Labor Costs	Percentage								
			117,386.27	43.04%								
			82,804.89	30.36%								
			72,561.00	26.60%								
			272,752.16	100.00%								

Allocation Methods

Allocation Summary - TOTAL COST LESS FACILITY COST

Adjusted Trial Balance
As of 12/31/20XX

Expenses:	Total Costs	Disallowed	Direct Costs		Shared Costs	Allocated Shared Costs		Line Item	
			Home Health (PHC)	Adult Day Care (DAHS)		57.22% PHC	42.78% DAHS	PHC	DAHS
Salaries									
Administrative	125,347.28				125,347.28	71,723.71	53,623.57	xxx	xxx
PHC Attendants	87,434.22		87,434.22		-	-	-	xxx	xxx
Adult Day Care Attendants	33,254.88			33,254.88	-	-	-	xxx	xxx
Adult Day Care Drivers	25,492.12			25,492.12	-	-	-	xxx	xxx
Contracted Nurse	9,482.66			9,482.66	-	-	-	xxx	xxx
FICA/Medicare	18,821.78		8,843.84	5,219.57	4,758.37	2,722.74	2,035.63	xxx	xxx
State & Federal Unemployment	4,428.65		2,822.33	665.10	941.23	538.57	402.66	xxx	xxx
Employee Benefits/Insurance	4,847.25		1,254.01	889.47	2,703.77	1,547.10	1,156.67	xxx	xxx
Office Lease	9,000.00		2,400.00	2,100.00	4,500.00	2,574.90	1,925.10	xxx	xxx
Utilities	8,945.67	Facility Costs	2,385.51	2,087.32	4,472.84	2,559.36	1,913.48	xxx	xxx
Ad Valorem Taxes	3,256.88		842.64	1,834.64	579.60	331.65	247.95	xxx	xxx
Maintenance & Repairs	1,846.74		246.25	1,041.67	558.82	319.76	239.06	xxx	xxx
Telecommunications	3,008.16		401.68	333.75	2,272.73	1,300.46	972.27	xxx	xxx
Office Supplies	1,501.80				1,501.80	859.33	642.47	xxx	xxx
Medical Supplies	874.64				874.64	500.47	374.17	xxx	xxx
Insurance - General Liability	1,254.00				1,254.00	717.54	536.46	xxx	xxx
Insurance - Malpractice	1,050.87				1,050.87	601.31	449.56	xxx	xxx
Travel	387.98	237.65	54.36	35.74	60.23	34.46	25.77	xxx	xxx
Advertising	402.87	104.97			297.90	170.46	127.44	xxx	xxx
Miscellaneous	601.47	254.74			346.73	198.40	148.33	xxx	xxx
Totals	341,239.93	597.36	106,684.84	82,436.92	151,520.81	86,700.21	64,820.60		

Total Costs-Less-Facility-Costs Allocation Percentages:

	PHC	DAHS	Totals
Total Costs	106,684.84	82,436.92	189,121.76
Less Facility Costs	(5,874.40)	(7,063.63)	(12,938.03)
Total Costs Less Facility Costs	100,810.44	75,373.29	176,183.73
Allocation Percentages	57.22%	42.78%	100.00%

Allocation Methods

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

Makeup of Controlling Entity's Contracts	Multiple Contracts of the Same (Equivalent) Type of Service	Various Contracts - All Labor-Intensive	Various Contracts - All with Programmatic- or Residential-Building Costs	Mixed Contracts - Some with Programmatic- or Residential-Building Costs and Some Labor-Intensive	Shared Administrative Personnel Performing Different Duties for Different Contracts (Not 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 contract during the reporting period Purchasing Department - Number of purchase orders processed during the reporting period for each contract

Providers may use any of the methods listed as appropriate for the makeup of their business organization. If one of the approved methods does not provide a reasonable reflection of the provider's actual operations, the provider must use a method that does. If none of the listed methods provides a reasonable reflection of the provider's actual operations, contact your Rate Analyst for further instructions.

*See 1 TAC §355.105(b)(2)(B)(i) for time study requirements.



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Time Sheets And Time Studies



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Time Sheets And Time Studies

Hours worked by each employee or contracted individual must be **documented**. The type of required documentation will differ depending on whether the work performed is administrative or direct care.

In the RC program, direct care includes Attendants, Drivers and Medication Aides.



Time Sheets And Time Studies

Costs associated with administrative staff who do not deliver any direct client services can be allocated based upon time sheets maintained during a “time study”, a functional method, or one of the approved allocation methods.

For example: A time study could be used to allocate the compensation of an employee who is responsible for billing and payroll functions for an NF contract and an RC contract.



Time Sheets And Time Studies

When is a time study acceptable?

- To allocate time spent in administrative functions when allocating as a pool of costs does not reflect a reasonable representation of each business entity
- To determine whether an attendant/driver who also performs non-attendant/driver services meets the 80% requirement
- To remove time associated with unallowable cost when administrative staff performs both allowable and unallowable functions



Time Sheets And Time Studies

If an employee or contracted individual provides services to more than one program, contract or business entity or the employee or contracted individual performed multiple direct care services or both direct AND indirect activities, the time spent in each program must be documented by daily, continuous time sheets (direct costing).



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Time Sheets And Time Studies

Daily, continuous time sheets must include actual start time, stop time and ALL hours worked for each contract/program/function for the entire reporting period.

For example: If an employee serves as an RN and Director for a RC program, 100% timesheets must be maintained to document all time and directly charge the time spent functioning as an RN.



Time Sheets Requirements

- Employee Name
- Date
- Start and Stop time
- Total Hours Worked
- Time worked providing direct services in the program
- Time worked performing other functions
- Paid time off
- Appropriate Signatures



Time Sheets Requirements

DAILY TIME SHEET

EMPLOYEE NAME Jane Smith

DATE: 8/10/20xx

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

DAILY SUMMARY BY PROGRAM/CONTRACT #						
PROGRAM	CONTRACT #	Sup	Attendant	RN	Admin	Indirect
HCS		2.25	0.75		1.00	
ICF LP	700056	1.75				
ICF SW	706569			1.75		
Indirect Time	N/A					0.50
Initial Totals		4.00	0.75	1.75	1.00	0.50
Allocated Indirect		0.27	0.05	0.12	0.07	
TOTAL for the DAY		4.27	0.80	1.87	1.07	

Signature: Jane Smith

Date: August 17, 20xx

Supervisor: Mary Evans

Date: August 17, 20xx

8.00



BREAK TIME

We will now take a 15 minute break.



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Services

STAIRS

How to Complete the Cost Report in STAIRS



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STAIRS

General Information

- The accrual method of accounting must be used UNLESS the provider is a governmental entity.
- A reconciliation worksheet between the report and the trial balance is a critical item to the preparation of the report. This should always be prepared.



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STAIRS

State of Texas Automated Information and Reporting System

The first person at a contracted provider to receive access to STAIRS is the Entity Contact (Primary).

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

If you have not received notification of access, then please contact CostInformationPFD@hhs.texas.gov



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STAIRS

Before You Begin

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

Adjust for accruals.

Prepare the reconciliation worksheet and allocation summaries.

Gather information on your depreciable assets.



STAIRS

Before You Begin

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

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



STAIRS

Organization of the Cost Report

Reporting Categories

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



STAIRS

Entity and Provider Information

- Designation of Entity Contact
- Roles and Designation of Preparer(s) and Other Contacts
- Management of Contracts



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STAIRS

STAIRS – Dashboard

The **Entity Contact** (Primary) logs into the system and sets up other users.

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

This screen also contains a link to Training registration.



STAIRS

STAIRS – Manage Contacts

Click on **Manage**, to the right on the bar at the top.

Links to **add a new contact**, RC preparer is at the top of the page.

The person doing entry will need to have the new contact's First/Last Name and Email. If the person is to be connected to multiple contracts and/or programs, this step will need to be completed once for each contract and program combination.



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STAIRS

STAIRS – Manage Contacts

Select “Add a new contact”.

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



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STAIRS

STAIRS – Manage Contacts

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

Select Add RC preparer.

Search by name and check that the person is on the drop-down list to choose as the Preparer in STAIRS.



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Roles

Entity Contact can set up all other user types and additional Entity Contacts. Can review the cost report. Must sign the Cost Report Certification.

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

STAIRS

Roles

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

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



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Roles

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

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



STAIRS Step 1-2



- **Combined Entity Identification** – all contacts must have information edited
- **General Information** – Combined Entity reporting dates
 - Probably, but not necessarily, the same as contracting entity.
 - Pre-populated. Any correction requires communication with PFD.

STAIRS Step 3



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Contract Management

- Verify Cost Report **Group Code** – assure that all RC program contract numbers and NF, IDD, CPC or DAHS cost reporting groups that are within the entire related organization are included.
- Enter all **other Contracts, Grants or Business Relationships with the State of Texas or any other Entity** – this means everything connected with the entire related organization.

STAIRS Step 4

General Information

- Correctly identify the ownership of the contracting entity
- Dates prepopulated
- Rate Enhancement Participation questions prepopulated
- Questions regarding preparation to complete the report
- Did you provide units of service during this cost reporting period?
- COVID-19 Related Questions



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STAIRS Step 5

Resident Days and Revenue

RC

- Report the total number of licensed beds at the end of reporting period
- Report the total number of HHSC contracted beds at the end of the reporting period
- Report RC resident days including private and other for the reporting period
- Report STAR+PLUS AL resident days including private and other for the reporting period
- Report STAR+PLUS RC resident days for the reporting period



STAIRS Step 5

Resident Days and Revenue

RC – Revenues

DO **NOT** REPORT RC MEDICAID REVENUES.



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STAIRS Step 5

Resident Days and Revenue

RC – Non-Medicaid Services

If you provide unbillable services and incur an expense that cannot be reasonably removed from the cost report, report the services under the Private and Other.



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STAIRS Step 6

Wages and Compensation

- **Step 6a** - General Information
- **Steps 6b** - Related Party
- **Step 6c** - Attendant
- **Step 6d** - Non-Attendant
- **Step 6e** – Administrative & Operations Personnel



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STAIRS Step 6

Wages and Compensation Reporting Staff Time and Cost

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

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



STAIRS Step 6

Wages and Compensation Reporting Staff Time and Cost

Allowable Compensation That Must Be **Direct Costed** (1/3):

- Salaries/Wages
 - Regular Paid Hours
 - Overtime
 - Bonuses
 - Cash Incentives/Awards
- Paid Leave (e.g., sick, vacation, jury, etc.)
- Accrued Vacation, Accrued Sick Leave



STAIRS Step 6

Wages and Compensation Reporting Staff Time and Cost

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

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



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STAIRS Step 6

Wages and Compensation
Reporting Staff Time and Cost
Steps 6c, 6d, and 6e

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

1/1/2019 – 12/31/2019	58.0 cents per mile
1/1/2020 – 12/31/2020	57.5 cents per mile

<https://fmx.cpa.texas.gov/fmx/travel/texttravel/rates/current.php>

May be less than the maximum, based on provider's policy, but may never be greater.



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STAIRS Step 6

Wages and Compensation Reporting Staff Time and Cost

Allowable Travel and Transportation – Step 6c

- Transport individuals of RC facility to medical appointments in personal vehicle
- Use personal vehicle to attend allowable training
- Must use mileage logs to allocate costs



STAIRS Step 6

Wages and Compensation Reporting Staff Time and Cost

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

- Employer-Paid Health/Medical/Dental Paid Claims
- Employer-Paid Disability Paid Claims



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STAIRS Step 6

Wages and Compensation
Who Counts as an Attendant?

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



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STAIRS Step 6

Wages and Compensation Who Counts as an Attendant?

- ✓ Attendants, Medication Aides, and Drivers and any other non-licensed staff that delivers attendant services to ensure the provision of contracted services.



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STAIRS Step 6

Wages and Compensation:

Examples of staff who CANNOT be counted as an attendant

- Director,
- Owner,
- Administrator,
- Assistant director,
- Assistant administrator,
- Clerical and secretarial staff,
- Professional staff,
- Other administrative staff,
- Licensed staff,
- Maintenance and grounds keeping staff,
- Activity director,
- Qualified Intellectual Disabilities Professionals (QIDPs),
- Assistant QIDPs,
- Direct care worker supervisors,
- Direct care trainer supervisors,
- Job coach supervisors,
- Foster/companion care providers,
- and laundry and housekeeping staff



STAIRS Step 6

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

Attendant - Report non-related party hours and wages.



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STAIRS Step 6

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

- RNs and LVNs
- Activity Director
- Housekeeping
- Food Service Supervisory Staff and other staff
- Other Direct Care Staff
- Personal Care 3 Staff

STAIRS Step 6

Wages and Compensation Administrative Personnel Step 6e

Administrative Personnel includes the following:

- Program Administrator
- Assistant Administrator
- Professional and Clerical Administrative Staff
- Owners
- Other Facility and Operations Staff (including Maintenance Staff)
- Central Office Staff



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STAIRS Step 7

Payroll Taxes and Workers' Compensation

Section 125 or Cafeteria Plan?

Texas Workforce Commission Reimbursing Employer?

Taxes and Workers' Compensation reported as
Attendant, Non-Attendant/Program Administration and Central
Office



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STAIRS Step 8

Facility and Operations Costs

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



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STAIRS Step 8

Facility and Operations Costs Step 8a General Information

Questions about asset and operations Self Insurance

Questions to unlock Related Party transaction reporting



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STAIRS Step 8

Facility and Operations Cost Areas

Non-Related Party

- Program Administration and Operations
- Central Office

Related Party

- Program Administration and Operations
- Central Office



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STAIRS Step 8

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

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

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

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



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STAIRS Step 8

Facility and Operations Cost

- Select the appropriate Cost Area(s)
- Do your **allocations** in your **work papers** and enter only the values here.
- If you allocate between Cost Areas or to more than one Business Component, you **MUST upload allocation methodology work papers.**



STAIRS Step 8

Facility and Operations Cost

Step 8e Entering Depreciable Assets and Related-Party Leases

- **Not many assets:** it's easier to enter them in the cost report.
- **A large number of assets:** import to save time.

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



STAIRS Step 8

Facility and Operations Cost

Step 8e Entering Depreciable Assets and Related-Party Leases

Line items that are completed through this step:

- Depreciation – Buildings & Building Improvements, Building Fixed Equipment, Leasehold and Land Improvements, Other Amortization
- Depreciation – Departmental Equipment
- Depreciation – Transportation Equipment
- Rent/Lease from a related party
- Building and Building Equipment
- Departmental Equipment
- Transportation Equipment



STAIRS Step 8

Facility and Operations Cost

Step 8e Entering Depreciable Assets and Related-Party Leases

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

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

Historical Cost – cost to acquire and prepare for use. Do not include either goodwill or land cost.



STAIRS Step 8

Facility and Operations Cost

Step 8e Entering Depreciable Assets and Related-Party Leases

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

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



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STAIRS Step 8

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

Directly entered for nonrelated-party transactions:

- Rent/Lease – Building and Building Equipment
- Rent/Lease – Departmental Equipment/Other
- Interest – Mortgage
- Insurance – Building and Equipment
- Taxes – Ad Valorem Real Estate
- Rent/Lease – Transportation Equipment or Contracted Transportation



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STAIRS Step 8

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

Other expenses:

- Utilities & Telecommunications
- Building/Equipment – Contracted Services and Maintenance and Repairs
- Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other
- Liability Insurance
- Staff Training/Seminars
- Travel (not to include mileage reimbursement)
- Dietary Expenses



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STAIRS Step 8

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

Program Administration and Operations and Central Office:

- Fees – Management Contract
- Fees – Contracted Administrative, Professional, Consulting and Training
- Licenses and Permits
- Taxes – Texas Corporate Franchise Tax
- Taxes – Other (describe)
- Advertising
- Dues and Memberships



STAIRS Step 8

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

Line items that are different between the programs:

- Operations Supplies
 - Look carefully at instructions to see what is and what is NOT allowable in this line item by program



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STAIRS Step 9, 10, and 11

Verification Summary and Certifications

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

The preparer is required to verify his/her entries.

There are two certifications:

- Methodology
- Cost Report

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

Each certification must be uploaded by the individual who signed it, using his/her own login information.



STAIRS Step 9, 10, and 11

Verification Summary and Certifications

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

If you realize that something was omitted and you need to access your data again or upload an additional document, you will need to email CostInformationPFD@hhs.texas.gov to assist with getting the report re-opened.



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STAIRS Step 12

Provider Adjustments Report

Report Shows:

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



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STAIRS Step 13

Agree / Disagree

Completed by individual legally responsible for conduct of contracted provider.

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

Agree = Finalizes this cost report.



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STAIRS Step 13

Agree / Disagree

Disagree = Informal Review (IR) request.

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

Extension to file IR – Must be received within 30 days from notification; provides 15 additional days (total of 45 days).



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STAIRS Step 13

Agree / Disagree

“Agree and Request a Payment Plan”

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



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STAIRS



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Payment Plan Requests

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

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

However, each payment plan request will be determined on a case by case basis that considers the specific circumstances of the provider and the cost report.

STAIRS

Payment Plan Requests

Letters for a Payment Plan Request must be emailed to the Director of Provider Finance 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 Cost Report Group number or Contract number
- Includes the year and type of report
- Is signed by the “individual legally responsible for the conduct of the interested party” (usually the Entity Contact in STAIRS)
- The request meets the deadline (30 days from the Provider Notification date)



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STAIRS Step 14

Informal Review:

- Written request
- Signed by individual legally responsible for the conduct of the requesting entity
- Hand delivery, U.S. mail, special mail delivery or email



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STAIRS Step 14

Informal Review

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

Any further actions, such as a formal appeal, will not be handled in STAIRS.



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Due Date



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Cost Reports are due April 30, 2021.

HHSC Provider Finance Contact Information



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For Assistance With	Telephone	E-mail
Cost or Accountability Report completion, instructions, informal reviews and/or general guidance	(512) 424-6637	PFDTSS@hhs.texas.gov
Cost or Accountability Report Excusals		PFDCostReportVerification@hhs.texas.gov
Cost Report Requests and Submission or STAIRS Technical Assistance	(512) 438-2680	CostInformationPFD@hhs.texas.gov
Enrollment for Rate Enhancement and Training Information and Registration	(512) 438-2680	costreporttrain@hhsc.state.tx.us

Contact Information

Regular Mail:

Texas Health and Human Services Commission
Provider Finance Department, Mail Code H-400
P. O. Box 149030
Austin, TX 78714-9030

Special Delivery:

Texas Health and Human Services Commission
Provider Finance Department, Mail Code H-400
Brown-Heatly Building
4900 North Lamar Blvd.
Austin, TX 78751-2316



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Thank you
