

**2023 Cost Report
Instructions for
24-Hour
Residential Child
Care Program
(24RCC)**

**Provider Finance
Department, Long-Term
Services and Supports**

**Texas Health and Human
Services
Commission (HHSC)**



TEXAS
Health and Human
Services

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Contact Information for Assistance

Customer Information and Training Team (CIT)

- Cost or Accountability Report Completion
- Report Edit
- Cost Report Training
- Instructions

Email: PFD-LTSS@hhs.texas.gov

Phone: 737-867-7817

Cost Information

- STAIRS
- Receipt of Report
- Report Groups Assigned to Combined Entity
- Report Preparers

Email: CostInformationPFD@hhs.texas.gov

Phone: 737-867-7812

State of Texas Automated Information Reporting System (STAIRS)

- Adding Contracts
- Issues with Report Login

Email: info@fairbanksllc.com

Phone: 877-354-3831

Purpose

The purpose of a Cost Report is to gather financial and statistical information for the Texas Health and Human Services Commission (HHSC) Provider Finance Department (PFD) to use in developing reimbursement rates and other cost analyses.

Cost Report Process

To recommend accurate rates, HHSC uses a two-step process: cost determination and rate determination.

Cost Determination

As per Title 1 of the Texas Administrative Code (TAC) Section 355.101(c)(2)(A):

"The objective of the cost determination process is to define allowable direct and indirect costs that may be considered for use in the overall reimbursement determination process. The cost determination process seeks to collect accurate financial and other statistical data as the foundation on which reimbursements are determined."

HHSC requires providers to submit cost reports to support the cost determination process. The cost report collects allowable direct and indirect service costs incurred delivering program services during a provider's cost reporting period. These costs include direct costs such as service wages, benefits, contract services, and staffing information. Indirect costs include facility costs, operations costs, and administration costs of the providers. Providers also report the units of service delivered during their cost reporting period on a per-service basis.

In accordance with 1 TAC Section 355.101 (c)(2)(A), HHSC requires that each contracted provider submit a periodic cost report or supplemental report to ensure adequate financial and statistical information upon which to base reimbursement. It is the provider's responsibility to submit accurate and complete information on the cost report and any supplemental reports required by HHSC. Information submitted must adhere to all pertinent HHSC cost reporting rules and cost report instructions.

HHSC's cost determination process seeks to ensure allowable costs are reported on the Medicaid cost reports and used for rate setting to accurately reflect the

provider's costs of delivering program services. According to 1 TAC Section 355.102(c):

"Accurate cost reporting is the responsibility of the contracted provider. The contracted provider is responsible for including in the cost report all costs incurred, based on an accrual method of accounting, which are reasonable and necessary, in accordance with allowable and unallowable cost guidelines in this section and in §355.103 of this title, revenue reporting guidelines in §355.104 of this title (relating to Revenues), cost report instructions, and applicable program rules. Reporting all allowable costs on the cost report is the responsibility of the contracted provider. The Texas Health and Human Services Commission (HHSC) is not responsible for the contracted provider's failure to report allowable costs; however, in an effort to collect reliable, accurate, and verifiable financial and statistical data, HHSC is responsible for providing cost report training, general and/or specific cost report instructions, and technical assistance to providers. Furthermore, if unreported and/or understated allowable costs are discovered during the course of an audit desk review or field audit, those allowable costs will be included on the cost report or brought to the attention of the provider to correct by submitting an amended cost report."

Furthermore, HHSC conducts financial examinations on all cost reports as part of the cost determination process. In accordance with 1 TAC Section 355.106(a), HHSC:

"...conducts desk reviews and field audits of provider cost reports in order to ensure that all financial and statistical information reported in the cost reports conforms to all applicable rules and instructions. Cost reports must be completed according to instructions and rules in accordance with §355.105(b)(4) of this title (relating to General Reporting and Documentation Requirements, Methods, and Procedures). HHSC may require supporting documentation other than that contained in the cost report to substantiate reported information."

Adjustments during the financial examination process may either remove unallowable costs or include unreported or understated allowable costs based on supporting documentation or further clarification from providers. Costs may also be adjusted to an amount considered reasonable and necessary if the data appears to

indicate a provider has incurred expenses that are unreasonable or unnecessary in a fair market.

In accordance with 1 TAC Section 355.107, providers are notified of exclusions and adjustments. As per 1 TAC Section 355.110(a)(3), providers can:

“...request an informal review or formal appeal regarding an action or determination under §355.102 of this title (relating to General Principles of Allowable and Unallowable Costs), §355.103 of this title (relating to Specifications for Allowable and Unallowable Costs), §355.104 of this title (relating to Revenues), and §355.105 of this title (relating to General Reporting and Documentation Requirements, Methods and Procedures), or program-specific allowable or unallowable costs, taken specifically in regard to the interested party.”

Rate Determination

Examined cost reports are used in the determination of statewide prospective rates as part of HHSC's rate determination process. In accordance with 1 TAC Section 355.101(c)(3):

“The reimbursement determination process takes the evaluation of allowable costs one step further by comparing allowable costs across providers to identify those levels of cost, either for individual cost items or groups of cost items, which must be incurred by efficient and economic providers of services meeting all state and federal standards.”

Rates are recalculated every biennium by trending the most recent cost report data from the reporting year to the prospective rate year. Final rates are limited within available appropriations. In some cases, rates have exceeded methodologically calculated rates as a result of legislatively directed rate increases.

Who Must Complete this Report?

Each residential childcare provider who had a contract with the Texas Department of Family and Protective Services (DFPS) to provide residential childcare services during the provider's fiscal year is required to submit a 24-Hour Residential Child Care Cost Report to HHSC.

The provider must submit a separate cost report for each separately licensed facility that the provider operates. If two or more facilities share a license, but function as separate and distinct facilities, each of them must submit a cost report that covers its revenues, expenses, and statistics. The cost report must cover all of a provider's 24RCC activities at the licensed facility during the reporting period, including all 24RCC programs that are not DFPS-related.

Child Placing Agencies (CPAs) are required to submit only a cost report for the corporation itself. Child placing agencies with regional-specific licenses that operate as one legal entity must submit one cost report for the entire legal entity.

If the provider is licensed as a General Residential Operation (GRO) or Residential Treatment Center (RTC), it may be possible that you have a designation on your license for Emergency Care Services. If this is the case you will need to complete two separate cost reports, one for the GRO or RTC and one for the Emergency Care Services.

If you are a Residential Treatment Center (RTC), it may be possible that you also provided Intensive Psychiatric Transition Program (IPTP) services. If this is the case, you will complete one cost report making sure to include the total IPTP days of service in Step 5b.

Costs incurred for any operations outside of the State of Texas are not allowable and cannot be included in the Cost Report. Additionally, costs incurred as a Single Source Continuum Contractor (SSCC) must be reported separately in the 24RCC SSCC Cost Report.

Excusals

A provider must complete and submit a 2023 24RCC Cost Report for each contract unless excused from the requirement to submit a cost report based on meeting one or more of the following conditions:

- The provider has no current contract(s) within the state for 24-Hour Residential Child-Care program;
- The total number of DFPS-placed days and Single Source Continuum Contractor (SSCC)-placed days was 10 percent or less of the total days of service provided during the cost-reporting period;

- For facilities that provide Emergency Care Services only, the occupancy rate was less than 30 percent during the cost-reporting period; OR
- For all other facility types except child-placing agencies and those providing Emergency Care Services, the occupancy rate was less than 50 percent during the cost-reporting period.

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

Cost Report Training

All HHSC-sponsored cost report training will be offered via webinar. Each webinar will include:

- How to enter a report into the State of Texas Automated Information Reporting System (STAIRS).

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

Cost Report trainings must be taken for every odd-numbered cost report year to receive credit for both that year and the following even-numbered cost report year. To submit a 2023 Cost Report, 2023 Accountability Report, and 2024 Accountability Report, a preparer must attend the 2023 Cost Report Training webinar. Preparers without the proper training credit will not be able to access the STAIRS data entry application.

State of Texas Automated Information System

STAIRS is the web-based system for long-term care HHSC cost reporting in the state of Texas. The system is used for all of the following long-term services and supports programs that require cost report submission:

- 24-hour Residential Child Care (24RCC) program, including for Single Source Continuum Contractors (24RCC SCCC);
- Intermediate Care Facility for Individuals with an Intellectual Disability or Related Condition (ICF/IID) program;
- Home and Community-based Services (HCS) and Texas Home Living (TxHmL) waiver programs;
- Nursing Facilities (NF) program;
- Primary Home Care (PHC), and Community Living Assistance and Support Services (CLASS) programs (including both CLASS Case Management Agency (CLASS CMA) and Class Direct Service Agency (CLASS DSA) providers) via the CPC (CLASS CMA, PHC, CLASS DSA) Cost Report;
- Day Activity and Health Services (DAHS) program; and
- Residential Care (RC) program.

It is *crucial* that the preparer read these instructions carefully.

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

COVID Related Information

COVID-Related Information and Updates

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

COVID-19 Funding Questions

CARES ACT

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

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

CARES ACT - Provider Relief Funds

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

For the Cost Reports, providers and cost report preparers should offset any PRF recognized as revenue by the provider based on increased costs due to COVID-19 not reimbursed by another source against any cost or group of costs incurred to prepare for, prevent, or respond to coronavirus otherwise recorded on the provider unadjusted trial balance before reporting on the actual cost report. Providers can reflect the detail of this offset in the trial balance or allocation summary uploaded as supporting documentation and report the final adjusted expenses on the cost report. An example may include, but are not limited to:

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

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

CARES ACT – Paycheck Protection Program

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

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

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

More information is available at the following link: [1 CARES Act, H.R. 748, 116th Cong.](#)

Instructions for the Cost Reports

Local Funds and Other Federal or State Grants

Under 1 TAC Section instructions for more information about the treatment of local funds or other federal or state grants for purposes of the cost report. Provider may also reach out to the LTSS Customer Information and Training Team at PFD-LTSS@hhs.texas.gov. The information in this section applies primarily to COVID-related grants. As a general rule, public grants (aside from some DFPS grants) are required to be offset before reporting on the Cost Report but private grants should not be offset.

24-Hour Awake Night Supervision revenue used for delivering services should be reported in Step 5.b. and as staff expenses in Step 6, without being offset.

Supporting Documentation

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

To ensure reliable and accurate reporting, supporting documentation should preferably be system-generated and include the following information in a spreadsheet format:

- Provider Name
- Accounting Basis
- Report Date Range
- Detail Account Descriptions
- Vendor Names
- Amounts

When submitting payroll records, ensure both hours *and* wages (including taxes and benefits) are included.

Supporting documents for local or federal grants

HHSC acknowledges providers may be required to submit reports to local or federal jurisdictions based on funds received, upon request. Do not provide HHSC with a copy of these reports and/or any applicable support documentation for these reports unless specifically requested by HHSC.

General

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

Texas Administrative Code (TAC):

- 1 TAC Sections 355.102-355.111
- 40 TAC Sections 700.1751-700.1753

Federal tax laws and Internal Revenue Service (IRS) regulations do not necessarily apply in the preparation of Texas cost reports. Except as otherwise specified in HHSC's Cost Determination Process Rules, cost reports must be prepared consistent with generally accepted accounting principles (GAAP). In cases where the cost determination process rules and/or program-specific rules conflict with IRS, GAAP, or other authorities, the cost determination process rules and program-specific rules take precedence. For more information, please reference 1 TAC Section 355.105(b)(1).

To properly complete this cost report, the preparer must:

- Read and follow these instructions;
- Review the provider's most recently audited cost report and audit adjustment information. If adjustment information has not been received, e-mail PFD-LTSS@hhs.texas.gov.
 - ▶ The most recently received adjustments are likely those for the 2021 Cost Report (if adjustment information has not been received, email PFD-LTSS@hhs.texas.gov).
 - ▶ Attend a cost report training webinar session and receive credit for the cost report training sponsored by HHSC. Preparers without the proper credit will not be able to access the STAIRS data entry application.
- Create comprehensive reconciliation work papers to serve as a crosswalk between the facility/contracted provider's accounting records and the cost report; and
- Create worksheets to explain adjustments to year-end balances due to the application of cost-reporting rules and instructions.

Due Date and Submission

The cost report is due to HHSC PFD by April 30, 2024.

All attachments and signed and notarized certification pages must be uploaded into STAIRS. Reports will not be considered “received” until the online report has been finalized and all required supporting documents are uploaded. See **Appendix A. Uploading Documents into STAIRS.** Documentation mailed rather than uploaded into the system will not be accepted. Refer to 1 TAC Section 355.105(c).

Reporting Period

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

Website

We encourage you to visit the [HHSC PFD website \(Long Term Support Services\)](https://pfd.hhs.texas.gov/long-term-services-supports), at the following link: <https://pfd.hhs.texas.gov/long-term-services-supports>. This site contains program-specific cost report instructions, cost report training information and materials, and payment rates. Additional information and features are added periodically.

Failure to File an Acceptable Cost Report

Failure to file a cost report completed following instructions and rules by the cost report due date constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in 1 TAC Section 355.111.

Extensions Granted Only for Good Cause

Extensions of cost report due dates are limited to those requested for good cause. Good cause refers to extreme circumstances that are beyond the control of the contracted provider and for which adequate planning and organization would not

have been of any assistance. HHSC PFD must receive requests for extensions before the due date of the cost report. The extension request must be sent to: CostInformationPFD@hhs.texas.gov by the provider (owner or authorized signor). The extension request must clearly explain the necessity for the extension and specify the extension due date being requested. Failure to file an acceptable cost report by the original cost report due date because of the denial of a due date extension request constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in 1 TAC Section 355.111.

Standards for an Acceptable Cost Report

Accurate Cost Reporting

1 TAC Section 355.102(c) states:

Accurate cost reporting is the responsibility of the contracted provider. The contracted provider is responsible for including in the cost report all costs incurred, based on an accrual method of accounting, which are reasonable and necessary...in an effort to collect reliable, accurate, and verifiable financial and statistical data, HHSC is responsible for providing cost report training, general and/or specific cost report instructions, and technical assistance to providers.

To be acceptable, a cost report must:

- Be completed following the Cost Determination Process Rules, program-specific rules, cost report instructions, and policy clarifications;
- Be completed for the correct cost-reporting period;

Please Note: The cost-reporting period has been prepopulated. See Step 4. If a provider believes the dates are incorrect, contact HHSC PFD at costinformationPFD@hhs.texas.gov for assistance.

- Be completed using an accrual method of accounting (except for governmental entities operating on a cash or modified accrual basis);
- Be submitted online as a 2023 Cost Report for the correct program through STAIRS;
- Include any necessary supporting documentation, as required, uploaded into STAIRS;
- Include signed, notarized, original certification pages (Cost Report Certification and Methodology Certification) scanned and uploaded into STAIRS;

- There is another option to submit the certification pages with a Digital Signature. Instructions can be found at <https://pfd.hhs.texas.gov/provider-finance-department-digital-signature-policy>;
- Calculate all allocation percentages to at least two decimal places (i.e., 25.75%);
- If allocated costs are reported, include acceptable allocation summaries and upload them into STAIRS.
- Include a detailed asset listing and depreciation schedule uploaded into STAIRS if the summary method of reporting was used in **Step 8.e**.
- Include a workpaper supporting related-party building rent or lease uploaded in STAIRS if the summary method of reporting was used in **Step 8.e**.

Note: All uploaded documentation must be in spreadsheet format and preferably system-generated.

Return of Unacceptable Cost Reports

Failure to complete cost reports according to instructions and rules constitutes an administrative contract violation. In the case of an administrative contract violation, procedural guidelines and informal reconsideration and/or appeal processes are specified in 1 TAC Section 355.111. Cost reports that are not completed following applicable rules and instructions will be returned for correction and resubmission. The return of the cost report will consist of un-certifying the file originally submitted via STAIRS which will re-open the cost report to allow additional work and resubmission by the contracted provider. Notification of the return will be sent via e-mail. HHSC grants the provider a compliance period of no more than 15 calendar days to correct the contract violation. Failure to resubmit an **acceptable** corrected cost report as well as new certification pages by the due date indicated in the return notification will result in the recommendation of a vendor hold. Refer to 1 TAC Section 355.111.

Vendor Hold

HHSC requests and receives a listing of current active 24RCC providers from DFPS, prior to cost report opening. Once cost report submission closes, HHSC notifies

DFPS contract managers when providers have not submitted their cost reports or have requested an excusal. DFPS contracting staff will reach out to providers to request submission or notify providers they have been placed on a Vendor Hold. HHSC will follow DFPS's direction on which providers to flag or remove from Vendor Hold. HHSC checks daily for any new cost report submissions and provides daily email updates to DFPS regarding submission status.

Amended Cost Reports

An interested party legally responsible for the conduct of the contracted provider may initiate an amendment no later than 60 days after the original due date.

Provider-initiated amendment requests can be sent to:

CostInformationPFD@hhs.texas.gov. A request received that is not signed by an individual legally responsible for the conduct of the contracted provider, or received after the 60th day, will not be accepted. Failure to submit the requested amendment to the cost report by the due date is considered a failure to complete a cost report. Refer to 1 TAC Section 355.105(d)(1)(A).

Accounting Methods

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

Cost Report Certification

Contracted providers must certify the accuracy of the cost report submitted to HHSC PFD. Contracted providers may be liable for civil and criminal penalties if the cost report is not completed according to HHSC PFD requirements or if the information is misrepresented and falsified. Before signing the certification pages, carefully read the certification statements to ensure that the signers have complied with the cost-reporting requirements. The Methodology Certification page advises

preparers that they may lose the authority to prepare future cost reports if they are not prepared according to all applicable rules, instructions, and training materials.

There is another option to submit the certification pages with a Digital Signature. Guidance can be found at <https://pfd.hhs.texas.gov/provider-finance-department-digital-signature-policy>. For more information, see the "Digital Signature" section in Steps 10 and 11, Preparer Certification and Entity Contact Certification.

Reporting Data/Statistics

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

Direct Costing

Per 1 TAC Section 355.102(j), "Direct costing must be used whenever reasonably possible. Direct costing means that allowable costs...incurred for the benefit of, or directly attributable to, a specific business component must be charged directly to that business component."

Certain costs are required to be direct-costed, including:

- Medical, health, and dental insurance premiums;
- Life insurance premiums;
- Other employee benefits (such as employer-paid disability premiums, employer-paid retirement/pension plan contributions, employer-paid deferred compensation contributions, employer-paid child daycare, and accrued leave);
- Attendant care staff salaries and wages and attendant contract labor compensation (see Appendix H. Definitions, Attendant Care for Community, for detailed instructions on reporting attendant care staff time, salaries, and wages); and
- Direct care staff (e.g., RNs, licensed vocational nurses [LVNs], medication aides, and certified nurse aides) salaries and contract labor compensation for

NFs only (see Appendix H. Definitions, Direct Care for Nursing Facilities, for detailed instructions on reporting direct care staff time, salaries, and wages).

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

Refer to 1 TAC Section 355.102(j) for more information.

Allowable and Unallowable Costs

In accordance with 1 TAC Section 355.102(a), "Allowable and unallowable costs, both direct and indirect, are defined to identify expenses that are reasonable and necessary to provide contracted client care and are consistent with federal and state laws and regulations." Providers must only report allowable costs on the cost report. Unallowable costs should be excluded from the cost report.

In accordance with 1 TAC Section 355.102(f)(1):

"Reasonable" refers to the amount expended. The test of reasonableness includes the expectation that the provider seeks to minimize costs and that the amount expended does not exceed what a prudent and cost-conscious buyer pays for a given item or service. In determining the reasonableness of a given cost, the following are considered:

(A) The restraints or requirements imposed by arm's-length bargaining, i.e., transactions with nonowners or other unrelated parties, federal and state laws and regulations, and contract terms and specifications; and

(B) The action that a prudent person would take in similar circumstances, considering his responsibilities to the public, the government, his employees, clients, shareholders, and members, and the fulfillment of the purpose for which the business was organized.

Beyond the cost's reasonability, an allowable cost must also be necessary. In accordance with 1 TAC 355.102(f)(2):

"Necessary" refers to the relationship of the cost, direct or indirect, incurred by a provider to the provision of contracted client care. Necessary costs are direct and indirect costs that are appropriate in developing and maintaining the required standard of operation for providing client care in accordance with the contract and state and federal regulations. In addition, to qualify as a necessary expense, a direct or indirect cost must meet all of the following requirements:

- (A) the expenditure was not for personal or other activities not directly or indirectly related to the provision of contracted services;
- (B) the cost does not appear as a specific unallowable cost in §355.103 of this title;
- (C) if a direct cost, it bears a significant relationship to contracted client care. To qualify as significant, the elimination of the expenditure would have an adverse impact on client health, safety, or general wellbeing;
- (D) the direct or indirect expense was incurred in the purchase of materials, supplies, or services provided to clients or staff in the normal conduct of operations to provide contracted client care;
- (E) the direct or indirect costs are not allocable to or included as a cost of any other program in either the current, a prior, or a future cost-reporting period;
- (F) The costs are net of all applicable credits;
- (G) Allocated costs of each program are adequately substantiated; and
- (H) The costs are not prohibited under other pertinent federal, state, or local laws or regulations.

"Unallowable costs are expenses that are neither reasonable or necessary" and should not be reported on the cost report, as per 1 TAC 355.102(g). Providers may incur these costs, but these costs cannot be considered as part of HHSC's rate determination processes.

Billable and Non-Billable Costs

Billable costs are costs incurred to provide contracted client services for which a unit of service can be directly billed. These are costs often incurred through direct

interaction with the individual receiving services. HHSC generally defines these billable costs as direct costs. In accordance with 1 TAC Section 355.102(f)(3):

Direct costs are those costs incurred by a provider that are definitely attributable to the operation of providing contracted client services. Direct costs include, but are not limited to, salaries and nonlabor costs necessary for the provision of contracted client care. Whether or not a cost is considered a direct cost depends upon the specific contracted client services covered by the program. In programs in which client meals are covered program services, the salaries of cooks and other food service personnel are direct costs, as are food, nonfood supplies, and other such dietary costs. In programs in which client transportation is a covered program service, the salaries of drivers are direct costs, as are vehicle repairs and maintenance, vehicle insurance and depreciation, and other such client transportation costs.

Assuming the billable costs meet the test of reasonableness, direct costs are necessary for the provision of client care and are, by definition, allowable costs and should be reported on the cost report.

HHSC generally defines non-billable costs as indirect costs. In accordance with 1 TAC Section 355.102(f)(4),

Indirect costs are those costs that benefit, or contribute to, the operation of providing contracted services, other business components, or the overall contracted entity. These costs could include, but are not limited to, administration salaries and nonlabor costs, building costs, insurance expense, and interest expense. Central office or home office administrative expenses are considered indirect costs.

Indirect costs must be both reasonable and necessary in that they support the provision of client care and ensure the health, safety and wellbeing of individuals receiving services. However, they are not directly tied to a delivered service unit. Activities that are not directly client-facing, but are essential to deliver required services or ensure health and safety, are indirect and often non-billable costs. Nevertheless, these types of costs are allowable and should be reported on the cost report.

Some examples of non-billable but allowable costs include staff training activities necessary for service delivery or ensuring an individual's health and safety. These

may occur when the individual receiving services is absent. A case managers activities related to charting or other duties required to maintain his or her license and supporting contracted services are another example. These activities can be considered indirect and non-billable but are still allowable costs and should be reported on the cost report. Other examples of indirect, non-billable costs include, but are not limited to costs such as telecommunications, rent/lease, mortgage, property taxes, office supplies, administration staff wages and benefits, and insurance costs.

Split Payroll Periods

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

For example, if the payroll period covered two weeks, with six days included in the cost-reporting period and eight days not included, the provider could either:

- Review their payroll information to properly direct cost the paid hours and salaries for only the six days included in the cost-reporting period, or
- Allocate 6/14th of the payroll period's hours and salaries to the cost report.

The method chosen must be consistently applied during each cost-reporting period. Any change in the method of allocation used from one reporting period to the next must be fully disclosed as per 1 TAC Section 355.102(j)(1)(D).

Cost Allocation Methods

Whenever direct costing of shared costs is not reasonable, it is necessary to allocate these costs either individually or as a pool of costs across those business components sharing in the benefits of the shared costs. The allocation method must be a reasonable reflection of the actual business operations of the provider. Contracted providers must use reasonable and acceptable methods of allocation and must be consistent in their use of allocation methods for cost-reporting purposes across all program areas and business components. Allocated costs are adjusted during the audit verification process if the allocation method is unreasonable, is not one of the acceptable methods enumerated in the Cost Determination Process Rules, or has not been approved in writing by HHSC PFD. An

indirect allocation method approved by another department, program, or governmental entity (including Medicare, other federal funding sources, or state agencies) is not automatically approved by HHSC for cost-reporting purposes. See **Appendix B** for details on the types of approved allocation methodologies, when each can be used, and how to contact HHSC for approval to use an alternate method of allocation other than those approved.

If there is more than one business component, service delivery program, or 24RCC contract within the entire related organization, the provider is considered to have central office functions, meaning that administrative functions are more than likely shared across various business components, service delivery programs, or 24RCC contracts. Shared administration costs require allocation before being reported as central office costs on the cost report. The allocation method(s) used must be disclosed as the allocated costs are entered into STAIRS and an allocation summary must be prepared and uploaded to support each allocation calculation.

An adequate allocation summary must include the following for each allocation calculation:

- A description of the numerator and denominator that is clear and understandable in words and numbers,
- The resulting percentage to at least two decimal places,
- A listing of the various cost categories to be allocated,
- 100 percent of the provider's expenses by cost category,
- The application of the allocation percentage to each shared cost,
- The resulting allocated amount, and
- The cost report item for which each allocated amount is reported.

The numerator and denominator's description should document the various cost components of each.

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

and contracted labor (excluding consultants) were included in the allocation calculations. For the "cost-to-cost" allocation method, the cost report preparer needs to provide documentation that all allowable facility and operating costs were included in the allocation calculations. For the "total-cost-less-facility-cost" allocation method, the cost report preparer needs to provide documentation that all facility costs were excluded.

Any allocation method used for cost-reporting purposes must be consistently applied across all contracted programs and business entities in which the contracted provider has an interest (i.e., the entire related organization). If the provider used different allocation methods for reporting to other funding agencies (e.g., USDA, Medicare, HUD), the cost report preparer must provide reconciliation work papers to HHSC upon request. These reconciliation worksheets must show the following:

1. That costs have not been charged to more than one funding source;
2. How specific cost categories have been reported differently to each funding source and the reason(s) for such reporting differences; and
3. That the total amount of costs (allowable and unallowable) used for reporting is the same for each report.

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

A provider may have many costs shared between business components. For example, a CPA or GRO that also operates an SSCC might have shared case management staff, shared intake staff, shared clerical staff, shared administration costs, and other shared costs. Guidelines for the allocation of various expenses will be provided in each Step of the Specific Instructions as appropriate. Refer to 1 TAC Sections 355.102(j) and 355.105(b)(2)(B)(v).

Recordkeeping

Providers must maintain records that are accurate and sufficiently detailed to support the legal, financial, and statistical information contained in the cost report. These records must demonstrate the necessity, reasonableness, and relationship of the costs to the provision of resident care, or the relationship of the central office to the individual provider. These records include but are not limited to: accounting ledgers, journals, invoices, purchase orders, vouchers, canceled checks, timecards, payrolls, mileage and flight logs, loan documents, insurance policies, asset records, inventory records, facility leases, organization charts, time studies, functional job descriptions, work papers used in the preparation of the cost report, trial balances, cost allocation spreadsheets, and minutes of meetings of the board of directors.

Adequate documentation for seminars/conferences includes a program brochure describing the seminar or a conference program with a description of the workshop attended. The documentation must provide a description demonstrating that the seminar or workshop provided training about contracted-care-related services or quality assurance. Refer to 1 TAC Sections 355.105(b)(2)(A) and 355.105(b)(2)(B).

Recordkeeping for Owners and Related Parties

A Related-Party is not necessarily a blood relative or family member. A Related-Party can be a person or organization related to the contracted provider by blood/marriage, but can also include relations by common ownership or any association which permits either entity to exert power or influence, either directly or indirectly, over the other. For additional information, see **Definitions**, Related-Party.

1 TAC Section 355.105(b)(2)(B)(xi) details documentation requirements for relating parties:

“Regarding compensation of owners and related parties, providers must maintain the following documentation, at a minimum, for each owner or related party: a detailed written description of actual duties, functions, and responsibilities; documentation substantiating that the services performed

are not duplicative of services performed by other employees; timesheets or other documentation verifying the hours and days worked; the amount of total compensation paid for these duties, with a breakdown of regular salary, overtime, bonuses, benefits, and other payments; documentation of regular, periodic payments and/or accruals of the compensation; documentation that the compensation was subject to payroll or self-employment taxes; and a detailed allocation worksheet indicating how the total compensation was allocated across business components receiving the benefit of these duties.”

NOTE: This does not mean the number of hours, but actual hours of the day.

Retention of Records

Each provider must maintain records according to the requirements in 40 TAC Section 49.307 (relating to how long contractors must keep contract-related records). The rule states that records must be kept for at least seven years after all issues that arise from any litigation, claim, negotiation, audit, open records request, administrative review, or other action involving the records are resolved.

As per 1 TAC Section 355.105(b)(2)(A)(ii), “if a contractor is terminating business operations, the contractor must ensure that records are stored and accessible; and someone is responsible for adequately maintaining the records.”

Failure to Maintain Records

As per 1 TAC Section 355.105(b)(2)(A)(iv), “failure to maintain all work papers and any other records that support the information submitted on the cost report... [relating to all revenue, expense, allocations, and statistical information] constitutes an administrative contract violation.” Procedural guidelines and informal reconsideration and/or appeal processes are specified in 1 TAC Section 355.111 (relating to Administrative Contract Violations).

Access to Records

Each provider or its designated agent(s) must allow access to all records necessary to verify information submitted on the cost report. This requirement includes records on related-party transactions and other business activities in which the contracted provider is engaged. As per 1 TAC Section 355.106(f)(4), "Failure to allow access to all records necessary to verify information submitted to HHSC [PFD] on cost reports constitutes an administrative contract violation."

Field Audits and Desk Reviews of Cost Reports

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

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

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

Field audits are conducted in a manner consistent with Generally Accepted Government Auditing Standards (GAGAS) promulgated by the U.S. Government Accountability Office. Under 1 TAC Section 355.105(b)(2)(B)(xviii),

"During the course of...[a field] audit or an audit desk review, the provider must furnish any reasonable documentation requested by HHSC auditors within ten [10] working days of the request or a later date as specified by the [HHSC] auditors. If the provider does not present the requested material

within the specified time, the audit or desk review is closed, and HHSC automatically disallows the costs in question.”

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

Notification of Exclusions and Adjustments

HHSC PFD notifies the provider by e-mail of any exclusions and/or adjustments to items on the cost report. See **Step 12** and **Step 13**. The Cost Report Review Unit (CRRU) furnishes providers with written reports of the results of field audits or desk reviews. Refer to 1 TAC Section 355.107 for more information.

Informal Review of Exclusions and Adjustments

A provider who disagrees with HHSC PFD’s adjustments has the right to request an informal review. Requests for informal reviews must be:

- Received by HHSC PFD within 30 days of the date on the written notification of adjustments;
- Signed by an individual legally responsible for the conduct of the interested party; and
- Include a concise statement of the specific actions or determinations the provider disputes, the provider’s recommended resolution, and any supporting documentation the provider deems relevant to the dispute.

Failure to meet these requirements may result in a denial of the request for informal review. Refer to 1 TAC Section 355.110(c) for more information.

Common Cost Reporting Errors

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

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

Common Errors Regarding Unallowable Costs

1. Expenses are incorrectly reported for activities that are not related to contracted services.
2. Personal expenses are incorrectly reported for items such as personal lunches, personal use of a company vehicle or cellular phone, and personal travel expenses not related to employee business travel.
3. Salaries or expenses are incorrectly reported for relatives or owners who do not work for or perform services for the contract.
4. Unallowable promotional advertising is incorrectly included in reported advertising costs as an allowable cost.
5. Unallowable dues or membership fees to organizations whose primary emphasis is unrelated to contracted services (e.g., the Chamber of Commerce, Lions Club, or Veterans of Foreign War [VFW] organizations) are reported as allowable costs.
6. Unallowable penalties or fines (such as non-sufficient funds [NSF] fees or late payment penalties) are incorrectly reported (with allowable expenses).
7. Bad debts are incorrectly expensed as "Other" costs.
8. Payroll taxes are reported incorrectly (e.g., incorrectly reporting the Federal Insurance Contributions Act (FICA)/Medicare taxes at greater than 7.65 percent of the total reported salaries [excluding central office salaries]).
9. Capital expenditures, such as roofs, air-conditioning systems, vehicles, sidewalks, and parking lot paving, are erroneously expensed (rather than properly depreciated).
10. Related-party transactions, such as the lease of a building or vehicles, are not disclosed.
11. Allocated costs are misstated because the allocation method used was inappropriate (e.g., based on revenue) or based on unreasonable criteria (e.g., administration salary allocations based on square footage).
12. Depreciation costs are overstated because the land cost was incorrectly included with the historical cost of the building.
13. The building depreciation expense is overstated because the 10 percent salvage value was not removed.

14. The transportation equipment depreciation expense is overstated because the depreciable value of a luxury vehicle was not limited.

STAIRS Instructions

General System Navigation

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

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

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

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

Save and Return: This saves the current data and returns it to the prior level screen.

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

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

Data Entry Fields: Because the 24RCC Cost Report contains costs for multiple programs, and not all services are available in each of the programs included in the report, certain data entry fields in **Step 5** and **Step 6** will not apply to all programs. When a service or step applies only to certain programs and the 24RCC Cost Report does not include a contract for that program, that data entry field or step will be disabled. Please see the Instructions for **Step 5** and **Step 6** for additional information.

User Interface and Dashboard

Entity List

The screenshot shows a user dashboard for John Smith. At the top, there are navigation tabs for 'Dashboard', 'Cost Reporting', and 'Manage'. A 'Reference Materials' link is located in the top right. The main content area is split into two columns. The left column contains the user's name, an 'Edit My Info' link, their title 'Director', address '123 Main St. Austin, TX', phone number '123456789', and a list of roles: '100007001 - 24RCC' and '100007002 - 24RCC'. The right column contains 'Important Information' with a message from 01/15/2014, 'Important Upcoming Dates', 'Upcoming Training Dates' with links to 'Register for Cost Report Training (excluding MEI)' and 'Register for MEI Cost Report Training', and two sections of reference materials: 'General Reference Material' and 'Program Specific Reference Material', each with a list of links.

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

Depending on their permissions, the user can click on “Manage” to the right on the top bar to add a contact, attach a person to a role, or assign a preparer. Users can also update their contact information here.

Maintaining correct/current contact information is crucial to ensure receipt of necessary automated messages and deadlines regarding reports/contracts.

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

The Upload Center is also located under “Manage.”

Once the user is in the system, click on “Cost Reporting” on the top bar. If the user has access permission for only a single cost report group, (for example, Cost Report Group 001 for one 24RCC SSCC contract), then there will only be one option to click on the initial Cost Reporting page. If the user has access permission for more than one cost report group, (for example, Cost Report Group 002 for one 24RCC SSCC contract and Component Code 8zz for HCS/TxHmL), then the user chooses the cost report group or component code and report in which they wish to work.

Step 1. Combined Entity Data

Purpose

This section gathers contact information so that HHSC PFD can contact the provider, preparer, etc., during the cost report review. Verifying that all contact information is correct is essential to ensure the provider receives all review correspondence. Step 1 fields will either be auto-populated for subsequent reports (from the entity’s prior cost report) or blank (if this report is the entity’s first).

How does HHSC PFD Use this Information?

HHSC PFD uses this information to obtain documentation to address issues found in the cost report review. We regularly contact preparers and providers.

Please ensure your email address is correct in the “Edit My Info” link found on the Dashboard when first logging into STAIRS to receive notices for:






- Report deadlines;
- Notices of reports not received by the deadline, including vendor hold warnings and notices; and

- Notices of adjustments made to your report since certification and recoupments.

The preparer and certifier must review, update, enter, and verify the current information for the applicable contacts, as defined below, to ensure timely notifications.

Combined Entity Identification

1. Combined Entity Identification

<p>Combined Entity Identification</p> <hr/> <p>Phone: Fax: Street Address: Mailing Address:</p> <p> Edit Information</p>	<p>Entity Contact Identification</p> <hr/> <p>Name: Job Title: Entity Name: Email: Phone: Fax: Mailing Address:</p> <p> Edit Information</p>
<p>Financial Contact</p> <hr/> <p>Name: Job Title: Entity Name: Email: Phone: Fax: Mailing Address:</p> <p> Edit Information</p>	<p>Report Preparer Identification</p> <hr/> <p>Name: Job Title: Entity Name: Email: Phone: Fax: Mailing Address:</p> <p> Edit Information</p>
<p>Location of Accounting Records that Support this Report</p> <hr/> <p>Primary Physical Address:</p> <p> Edit Information</p>	
<p><input type="button" value="Save"/> <input type="button" value="Save and Return"/> <input type="button" value="Cancel"/></p>	

The information is view-only and can only be updated by HHSC Provider Finance Department. Providers and Preparers are required to review the information for accuracy before proceeding. If the information is inaccurate, contact HHSC PFD at CostInformationPFD@hhs.texas.gov to request change.

The provider may update the combined entity's telephone, email, and address information in this section. If this entity is a single provider with no combined entities, this information will be the same for the contracted provider.

Entity Contact Identification

Locked/View Only

This section includes the information on the primary entity contact person. The contact person must be an employee of the controlling entity, parent company, sole member, governmental body, or related-party management company (i.e., the entire related organization) who is designated on the Entity Contact Certification. The contact person should be able to answer questions about the contents of the provider's cost report. The information is view-only and can only be updated by

HHSC PFD. Preparers are required to review the information for accuracy before proceeding. If the information is inaccurate, contact HHSC PFD at CostInformationPFD@hhs.texas.gov to request changes.

Financial Contact Identification

A primary contact may designate a Financial Contact. This person can review the cost report but may not make entries into the system. The Financial Contact must be an employee of the controlling entity, parent company, sole member, governmental body, or related-party management company. An externally contracted preparer may not be listed as a provider's Financial Contact.

Report Preparer Identification

According to 1 TAC Section 355.102(d), each provider must ensure that each preparer who signs the Cost Report Methodology Certification completes the required HHSC-sponsored cost report training. The STAIRS cost reporting application will identify whether the person designated as a preparer has completed the required training. Only a preparer who has received credit for the cost report training (detailed in the next paragraph) from HHSC can complete a cost report in STAIRS. A list of preparers who have completed the training may be accessed through the STAIRS Dashboard.

Preparers must complete cost report training for every program for which a cost report is submitted. Training is required every other year for the preparer to be qualified to complete both that odd-year cost report and the following even-year cost report.

Cost report "preparers may be employees of the provider [including Entity or Financial contacts who have completed cost report training] or persons who have been contracted by the provider for cost or accountability report preparation" (1 TAC Section 355.102(d)). Outside preparers may not be listed as either Entity or Financial contacts. NO EXEMPTIONS from the cost report training requirements will be granted.

Location of Accounting Records that Support this Report

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

Step 2. General Information

Purpose

The purpose of step two is to provide general information, including the combined entity's reporting period.

How does HHSC PFD Use this Information?

HHSC PFD uses this information to confirm the Provider's beginning and end date of the report period for the Combined Entity.

How to complete Step 2

Combined Entity Report Period Beginning (mm/dd/yyyy) *	01/01/2021
Combined Entity Report Period Ending (mm/dd/yyyy) *	12/31/2021

Do you request to aggregate by program those contracts held by this Combined Entity which participated in the Rate Enhancement for the purpose of determining compliance with spending requirements? Indicate below by applicable program. *If you only have one contract in a particular program or are only submitting one cost report for a program select "N/A" for aggregation.*

CLASS DBA	
DAHS	
DBMD	
HCS/TrakInc.	
ICFMD	
MF	
PHC	
RC	

Combined Entity Report Period Beginning and Ending Dates

These dates represent the beginning and ending dates for the combined entity's reporting period.

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

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

To change the provider's fiscal year for cost-reporting purposes, the provider must email HHSC PFD at costinformationpfd@hhs.texas.gov. The notification must come from the owner or authorized signatory and should include the name of each affected contracted provider, all 3-digit Cost Report Group Codes, and all 9-digit contract numbers. The notification should also include documentation from the IRS approving the change. The provider must state the effective date of the change and the previous corporate fiscal year. HHSC PFD will notify the provider about how to handle each month for cost-reporting purposes since no cost report can cover more than 12 months. For contracting purposes, HHSC Provider Enrollment must be notified on the appropriate forms.

When Reporting Facility and Operations Expenses, Would You Like to Report Depreciable Assets on Step 8.e. at the Summary Level?

Regarding the reporting of depreciable assets, providers have the option of:

- Entering the data for each capital asset in **Step 8.e.** and allowing the system to determine the amount of straight-line depreciation applicable to the cost report; or

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

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

Step 3. Contract Management

Purpose

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

- **Step 3.a.** details the combined entity's 24RCC contracts (excluding SSCC)
- **Step 3.b.** details the combined entity's other contracts with the state of Texas, excluding contracts in Step 3.a. and including 24RCC SSCC contracts
- **Step 3.c.** details all other business components or contracts not listed in Steps 3.a. or 3.b.

How HHSC PFD uses the information

HHSC PFD uses the information in Step 3 during the Cost report examination process. Financial examiners will ensure that only your expenses associated with the component under the appropriate 24RCC contract are reported on your Cost Report.

How to complete Step 3

Step 3.a. Verify Contracts for Requested Reports

3.a. Verify Contracts for Requested Reports

Active Entire Report Period?	Cost Report Group Code	Contracting Entity Name	CR Type	Program	Site Type	Contract #	Contract Name	Enhancement Participation	Note
<input checked="" type="radio"/> Yes <input type="radio"/> No	100007001	ZZZ RAD 24RCC	24RCC	SSCC	n/a	123456601	ZZZ RAD 24RCC		<input type="text"/>

This list carries over from year to year. It is a list of all contracts requiring a cost report (including Medicaid fee-for-service contracts) separated by the provider's combined entity grouped by Cost Report Group Codes. For each cost report group, the preparer must indicate in the leftmost column whether the component code or all contracts in the Cost Report Group were active during the entire cost report period. If the answer to this question for a specific component code/contract is "No", then an explanation must be entered in the Note column.

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

Step 3.b. Enter Other Business Components (Other Contracts, Grants, or Business Relationships with the State of Texas or any other entity, or other funding sources)

This is a list of all Texas and out-of-state business relationships in which the combined entity is involved not already listed in Step 3.a. and must include all other contracts (i.e.: 24RCC SSCC, Medicare, CACFP, Hospice, etc.). For each contract, grant, or business, the preparer must indicate in the left-most column whether the contract, grant, or business was active during the entire report period. If the answer to this question for a specific contract, grant, or business relationship is "No", then an explanation must be entered in the Note column.

A preparer can add, edit, or delete items from this list. Clicking "Add" will lead to the Add Contracts screen where all the necessary information can be added. See the graphic below. Any changes to this list will trigger changes to the cost report(s) for any other cost report group or component code(s) controlled by the provider's

combined entity. If another preparer has verified steps involving allocation, then completed steps will need to be verified again. The other preparer will need to address those steps again before completing those reports.

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

3.b. Enter Other Business Components (Other Contracts, Grants or Business Relationships with the State of Texas or any other entity, or other funding sources)

	Active Entire Reporting Period	Contract Type	Service Type	Contracting Entity Name	Contract #/ Provider Identification	Added By	Note
<input type="checkbox"/>	Yes	DSHS	Youth Empowerment Services		123456789	HHSC RAD	
<input type="checkbox"/>	Yes		Other - provide explanation:Pizza Restaurant		N/A	HHSC RAD	
<input type="checkbox"/>	Yes		Other - provide explanation:Medicare		4567890120	HHSC RAD	
<input type="checkbox"/>	Yes		Other - provide explanation:funding source		12345670	HHSC RAD	funding source
<input type="checkbox"/>	Yes		Other - provide explanation:taco restaurant		N/A	HHSC RAD	taco rest. shared CO
<input type="checkbox"/>	Yes		Other - provide explanation:Pizza Restaurant		123456	HHSC RAD	Pizza
<input type="checkbox"/>	Yes		Other - provide explanation:test		test	HHSC RAD	test
<input type="checkbox"/>	Yes	HHSC	Personal Care Services		11100000	HHSC RAD	

Information necessary to add a contract includes:

- Was the contract active during the entire cost report period? – If “No” is chosen, the provider must enter an explanation in the Notes section.
- **Contract Type** – The contract type will drive available options in the Service Type below. Contracts that are neither state nor Medicare, such as contracts with related durable medical equipment entities, will be designated as “Other”.
- **Service Type** – The service type menu is driven by the Contract Type above. If the service type is not listed, the preparer should choose “Other”. If the preparer chooses “Other”, a box will appear for entry of the type of contract, such as a durable medical equipment contract.
- **Contract # / Provider Identification** – The contract number or other identifying information regarding the contract. For contracts that do not have state or federal contracting numbers, this may be the legal name of the related organization with which the provider is contracting.
- To Edit or Delete a contract, select it by clicking the round button to the far left beside that contract. Then choose an action, either Edit Record or Delete Record.

Step 3.c. Verify Business Component Summary

3.c. Verify Business Component Summary

✓ Last Verified by Rate Analysis test on 12/21/2023 8:17 AM

Save Save and Return Cancel

Contract Type	Report Group Code	Contracting Entity Name	CR Type	Site Type
Requested	100007001	ZZZ RAD 24RCC	24RCC	
Requested	100007002	ZZZ RAD 24RCC	24RCC	
Requested	100007003	ZZZ RAD 24RCC	24RCC	TFC
Requested	100007004	ZZZ RAD 24RCC	24RCC	GRO/RTC
Requested	100007005	ZZZ RAD 24RCC	24RCC	IPTP
DSHS	123456789		Youth Empowerment Services	
Medicare	4567890120		Other - provide explanation - Medicare	
Other State of Texas	12345670		Other - provide explanation - funding source	
Other	N/A		Other - provide explanation - taco restaurant	
Other	123456		Other - provide explanation - Pizza Restaurant	
DFPS	test		Other - provide explanation - test	
HHSC	11100000		Personal Care Services	
DARS	00002157		Early Childhood Intervention	

Are there any other contracts, grants, or business relationships with HHSC, the State of Texas, or with any other business entities not included in the summary table above?

Yes
No

Save Save and Return Cancel

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

Note: Step 3.a. is prepopulated, so you do not need to enter them anywhere else in the report. **Step 3.b.** is only for non-Medicaid contracts, and **Step 3.c.** is the summary of all.

Step 4. General Information

Purpose

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

How does HHSC PFD use this information?

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

How to complete Step 4

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

4. General Information

⊘ Please enter and verify the information below

National Provider Identifier (NPI) #: Please contact HHSC at costinformationofd@hhs.texas.gov if the provider believes this is not their current NPI number.	N/A																												
Type of Ownership of Contracting Entity	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left; border-bottom: 1px solid #ccc;">Proprietary (For Profit)</th> <th style="text-align: left; border-bottom: 1px solid #ccc;">Nonprofit Corporation</th> <th style="text-align: left; border-bottom: 1px solid #ccc;">Nonprofit Association</th> <th style="text-align: left; border-bottom: 1px solid #ccc;">Government</th> </tr> </thead> <tbody> <tr> <td><input type="radio"/> Sole Proprietor</td> <td><input type="radio"/> Owned or affiliated with religious organization</td> <td><input type="radio"/> Owned or affiliated with religious organization</td> <td><input type="radio"/> State</td> </tr> <tr> <td><input type="radio"/> Partnership</td> <td><input type="radio"/> Not owned or affiliated with religious organization</td> <td><input type="radio"/> Not owned or affiliated with religious organization</td> <td><input type="radio"/> County</td> </tr> <tr> <td><input type="radio"/> Limited Partnership</td> <td></td> <td></td> <td><input type="radio"/> Municipal</td> </tr> <tr> <td><input type="radio"/> Limited Liability Company</td> <td></td> <td></td> <td><input type="radio"/> Special District</td> </tr> <tr> <td><input type="radio"/> "S" Corporation</td> <td></td> <td></td> <td><input type="radio"/> Federal</td> </tr> <tr> <td><input type="radio"/> Corporation</td> <td></td> <td></td> <td></td> </tr> </tbody> </table>	Proprietary (For Profit)	Nonprofit Corporation	Nonprofit Association	Government	<input type="radio"/> Sole Proprietor	<input type="radio"/> Owned or affiliated with religious organization	<input type="radio"/> Owned or affiliated with religious organization	<input type="radio"/> State	<input type="radio"/> Partnership	<input type="radio"/> Not owned or affiliated with religious organization	<input type="radio"/> Not owned or affiliated with religious organization	<input type="radio"/> County	<input type="radio"/> Limited Partnership			<input type="radio"/> Municipal	<input type="radio"/> Limited Liability Company			<input type="radio"/> Special District	<input type="radio"/> "S" Corporation			<input type="radio"/> Federal	<input type="radio"/> Corporation			
Proprietary (For Profit)	Nonprofit Corporation	Nonprofit Association	Government																										
<input type="radio"/> Sole Proprietor	<input type="radio"/> Owned or affiliated with religious organization	<input type="radio"/> Owned or affiliated with religious organization	<input type="radio"/> State																										
<input type="radio"/> Partnership	<input type="radio"/> Not owned or affiliated with religious organization	<input type="radio"/> Not owned or affiliated with religious organization	<input type="radio"/> County																										
<input type="radio"/> Limited Partnership			<input type="radio"/> Municipal																										
<input type="radio"/> Limited Liability Company			<input type="radio"/> Special District																										
<input type="radio"/> "S" Corporation			<input type="radio"/> Federal																										
<input type="radio"/> Corporation																													
Contracted Provider Report Period Beginning (mm/dd/yyyy)	01/01/2023																												
Contracted Provider Report Period Ending (mm/dd/yyyy)	12/31/2023																												
Was an accrual method of accounting used for reporting all revenues, expenses, and statistical information on this report except for where the instructions require otherwise?	<input type="button" value="..."/>																												
Did the preparer(s) of this report review the most recently received audit adjustments and make the necessary revisions when preparing this report?	<input type="button" value="..."/>																												
Does the provider have work papers that clearly reconcile between the fiscal year trial balance and the amounts reported on this report? If No, please provide an explanation.	<input type="button" value="..."/>																												

National Provider Identifier Number

The National Provider Identifier number (NPI) will be prepopulated here, if applicable. Contact HHSC PFD at CostInformationPFD@hhs.texas.gov if you believe this number is not the current NPI.

Type of Ownership of Contracting Entity:

Identify the type of ownership of the provider contracting entity from the list.

Note: If the provider is a for-profit corporation or one segment of a for-profit corporation (e.g., a DBA of a for-profit corporation), "Corporation" is the appropriate entry.

Contracted Provider Report Period Beginning and Ending Dates:

These dates represent the beginning and ending dates for the contracted provider's reporting period. For a contracted provider that submitted a cost report in a prior year, these dates will be based on the dates from the prior cost report. For a contracted provider that is reporting for the first time this year, the dates are based on the beginning date of the first contract and on the assumption that the provider is on a calendar fiscal year, so the report has an ending date of December 31st of the cost report year. If these dates are incorrect, contact HHSC PFD for assistance at CostInformationPFD@hhs.texas.gov.

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

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

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

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

If the reporting period does not begin on the first day of a calendar month or end on the last day of a calendar month, the preparer must report only those statistics (e.g., units of service), revenues, and costs associated with the actual cost-reporting period. If, for example, the provider's cost-reporting period was August 15-December 31, it is unacceptable for the preparer to report a percentage of the provider's total days of service, revenues, and costs for the year. Instead, the preparer must report the days of service, revenues, and costs associated only with the period from August 15 through December 31. Since August is partially reported, the preparer will have to calculate a percentage of various costs applicable to August (e.g., building rent/depreciation, utilities, and other such "monthly" costs) and include that with the actual costs for the reporting period. For questions regarding the appropriate method for reporting information for less than a full year, please contact the Provider Finance Customer Information Center at PFD-LTSS@hhs.texas.gov.

Was an Accrual Method of Accounting Used for Reporting all Revenues, Expenses, and Statistical Information on this Report, Except for Where Instructions Require Otherwise?

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

Did the Preparer(s) of this Report Review the Most Recently Received Audit Adjustments and Make the Necessary Adjustments When Preparing this Report?

Click either "Yes" or "No". If the answer is "No", provide an Explanation. Each provider should review the most recent cost report audit results (desk review or field audit) and make any necessary changes to the current cost reports. (Refer to 1 TAC Section 355.107.) If the provider is in the process of appealing an audit adjustment when the current cost report is submitted, the preparer is still required to make any necessary changes resulting from the prior cost report audit or

informal review decision. The provider may include an explanation of the provider’s disagreement with the way a particular cost has been required to be reported as a result of the previous audit or informal review.

Does the Provider have Workpapers that Clearly Reconcile Between the Fiscal Year Trial Balance and the Amounts Reported on this Report?

Click either “Yes” or “No.” If “Yes,” the workpapers must be uploaded to the report. There should not be situations where a provider responds to this question with “No.” Each provider must maintain reconciliation workpapers and any additional supporting work papers (e.g., invoices, canceled checks, tax reporting forms, allocation spreadsheets, financial statements, bank statements, and any other documentation to support the existence, nature, and allowability of reported information) detailing the allocation of costs to all contracts, grants, programs, and business entities. The preparer must attach a reconciliation worksheet to facilitate the audit process, with its foundation being the provider’s year-end trial balance. Refer to 1 TAC Section 355.105(b)(2)(A) for more information.

<p>Is the provider reporting Central Office expenses in this Cost Report?</p>	<input type="button" value="--"/>
<p>Is the provider reporting any allocated Non-Central Office Program Administration expenses?</p>	<input type="button" value="--"/>
<p>Enter the county where program facility delivers service. (To select multiple items, hold CTRL and select from the list.)</p>	<p>Clear selection(s)</p> <ul style="list-style-type: none"> Angelina [5 - East Central] Aransas [11 - South] Archer [2 - Northwest] Armstrong [1 - Northwest] Atascosa [8 - South] Austin [6 - Houston] Bailey [1 - Northwest] Bandera [8 - South] Bastrop [7 - East Central] Baylor [2 - Northwest] Bee [11 - South] Bell [7 - East Central] <p>Countries selected: 0</p>
<p>If the provider is contracted with an SSCC what catchment does the provider provide services in? (To select multiple items, hold CTRL and select from the list.)</p>	<p>Clear selection(s)</p> <ul style="list-style-type: none"> Catchment Area 1 Catchment Area 2 Catchment Area 3b Catchment Area 8b <p>Catchments selected: 0</p>

Is the Provider Reporting Central Office Expenses in this Report?

Click either "Yes" or "No". If "Yes" is clicked, then upload the Central Office Allocation Methodology (in spreadsheet format and preferably system-generated).

Is the Provider Reporting any Allocated Non-Central Office Program Administration Expenses?

Click either "Yes" or "No". If "Yes" is clicked, then the Non-Central Office Program Administration Allocation Methodology must be uploaded to the report (in spreadsheet format and preferably system-generated). This situation would occur when the Program Administrator is a Central Office employee but directly charges their Program Administrator time to the program.

Enter the county where program facility delivers service.

Select the county in which the program facility delivers services. Multiple counties can be selected.

If the provider is contracted with an SSCC what catchment does the provider provide services in?

If the provider is contracted with an SSCC, select the Catchment Area in which the provider provides services in.

The total number of State placement days (DFPS, other State of Texas agencies and County or other Government agencies only) types broken out by level. Report placement days without levels in "Not by LON"	Not by LON	<input type="text"/>
	Basic	<input type="text"/>
	Moderate	<input type="text"/>
	Specialized	<input type="text"/>
	Intense	<input type="text"/>
	Intense Plus	<input type="text"/>
	IPTP	<input type="text"/>
	Emergency Care Services	<input type="text"/>
	Treatment Foster Family Care	<input type="text"/>
	Temporary Emergency Placement	<input type="text"/>
The total number of non-State placement days broken out by level. Report placement days without levels in "Not by LON".	Not by LON	<input type="text"/>
	Basic	<input type="text"/>
	Moderate	<input type="text"/>
	Specialized	<input type="text"/>
	Intense	<input type="text"/>
	Intense Plus	<input type="text"/>
	IPTP	<input type="text"/>
	Emergency Care Services	<input type="text"/>
	Treatment Foster Family Care	<input type="text"/>
	Temporary Emergency Placement	<input type="text"/>
Number of Residents the Facility is Licensed to serve at the end of the reporting period.	<input type="text"/>	

The total number of State placement days (DFPS, other State of Texas agencies and County or other Government agencies only) types broken out by level. Report placement days without levels in "Not by LON"

This information is no longer required for 24RCC. Completion of this step is optional and all days can be reported as "Not by LON." If you are prompted to enter an edit explanation, enter any information to bypass it.

The total number of non-State placement days broken out by level. Report placement days without levels in "Not by LON".

This information is no longer required for 24RCC. Completion of this step is optional and all days can be reported as "Not by LON." If you are prompted to enter an edit explanation, enter any information to bypass it.

Number of Residents the Facility is Licensed to serve at the end of the reporting period.

Enter the number of residents licensed to be served throughout the entire facility at the end of the reporting period.

<p>Upload an organizational chart. The organizational chart must include the employee name, position, related party information:</p> <p>Please attach the Organizational Chart</p>	<input type="text"/> Select file or upload new file
<p>Did the provider evacuate a facility due to a natural disaster that resulted in an issued state or federal emergency declaration (i.e. Hurricane)?</p>	<input type="text"/>
<p>Did the provider accept evacuees from a natural disaster that resulted in an issued state or federal emergency declaration (i.e. Hurricane) that did not become permanent residents in the facility?</p>	<input type="text"/>

Public Health Emergency Related Questions

<p>Did the provider experience a change in costs/utilization directly related to a public health crisis that resulted in an issued state or federal emergency declaration (i.e. COVID-19)?</p>	<input type="text"/>
<p>Did the provider incur an increase in costs directly related to a public health crisis that resulted in an issued state or federal emergency declaration, (i.e. COVID-19)? For example, some providers may have paid more for Personal Protective Equipment (PPE) – either because they had to purchase more PPE and/or it was more expensive.</p>	<input type="text"/>
<p>Did the provider incur costs for a category(ies) that historically is not incurred when administrating/delivering this program/service?</p>	<input type="text"/>
<p>Did the provider receive local, state, or federal grants directly related to a public health crisis that resulted in an issued state or federal emergency declaration (i.e. COVID-19)?</p>	<input type="text"/>

Upload an Organizational Chart

The organizational chart must include the number of employees, names of employees, position titles, and any Related-Party information. Organizational charts should also include sufficient information about any contracts, components, or operations that share costs with the reviewed contract, to assist HHSC in reviewing allocations regardless of whether the provider has related parties or not. This includes information on Owner-Employee for each business entity or component, Other Related-Party Employee for each business entity or component, and Related-Party Contractor for each business entity or component. See Appendix C for an example.

Did the provider evacuate their facility due to a natural disaster that resulted in an issued state or federal emergency declaration (i.e. Hurricane)?

Select Yes or No. If Yes, report all expenses above normal operating costs that are directly related to a natural disaster. Do NOT include costs related to the natural disaster anywhere else on the cost report.

Did the provider accept evacuees from a natural disaster that resulted in an issued state or federal emergency declaration (i.e. Hurricane) that did not become permanent residents in the provider's facility?

Select Yes or No. If Yes, report all expenses above normal operating costs that are directly related to a natural disaster. Do NOT include costs related to the natural disaster anywhere else on the cost report

Public Health Emergency Related Questions (COVID-19)

Did the provider experience a change in costs/utilization directly related to a public health emergency that resulted in an issued state or federal emergency declaration (i.e. COVID-19)?

Select Yes or No.

Did the provider incur an increase in costs directly related to a public health crisis that resulted in an issued state or federal emergency declaration? For example, some providers may have paid more for Personal Protective Equipment (PPE) – either because they had to purchase more PPE and/or it was more expensive.

Select "Yes" or "No." If "Yes," two prompts will appear asking if the increase was in unit of service and if the increase was due to an increase in costs per unit of service. If the answer to either of these follow-up questions is "No," an explanation will be required.

Did the provider incur costs for a category(ies) that historically is not incurred when administrating/delivering this program/service?

Select "Yes" or "No." If "Yes," upload the Excel template outlining these costs.

Did the provider receive local, state or federal grants directly related to a public health crisis that resulted in an issued state or federal emergency declaration?

Select "Yes" or "No." If "Yes," the following prompt will appear: "How much did the provider use during the reporting period?" Enter the amounts of Local, State, Federal, and Other Funds. Do not include funds received that the provider plans on using outside of the reporting period.

Step 5. Placement Days and Revenue

Purpose

The purpose of Step 5 is to collect units of service information, which is expressed as placement days in 24RCC.

How Does HHSC PFD Use this Information?

HHSC PFD uses this information to determine the contracted provider's revenue.

Report statistical data in steps 5.a. through 5.d. as appropriate.

Step 5.a. Bed Hold Days and Revenue

5.a. Bed Hold Days and Revenue

Please enter and verify the information below

Save Save and Return Cancel

Bed Hold Days		
Type	Bed Hold Days	Bed Hold Revenue
SSCC's Bed Hold Referrals and Revenue Paid to Subcontractors		
Subcontractor's Bed Hold Referrals and Revenue Received from SSCC	<input type="text"/>	<input type="text"/>
Temporary Emergency Placement Days - Bed Hold ONLY	<input type="text"/>	<input type="text"/>
TOTAL	0	0.00

Other Revenue	
Type	Revenue
Non-DFPS Revenue (SSCC only)	
Non-DFPS and Non-SSCC revenue (ALL Providers Except SSCC)	<input type="text"/>
DFPS System Enhancement Fee (SSCC only)	
SSCC Revenue (ALL Providers Except SSCC)	<input type="text"/>
DFPS Exceptional Care Days Revenue (ALL Providers Except SSCC)	<input type="text"/>
TOTAL	0

Save Save and Return Cancel

Subcontractor's Bed Hold Referrals and Revenue Received from SSCC

Report the total number of bed hold days and bed hold revenue during the reporting period regardless of whether the beds were occupied. This item is to be completed by the subcontractor only.

Temporary Emergency Placement Days - Bed Hold Only

Report the total number of bed hold days and bed hold revenue for all Temporary Emergency Placements during the reporting period.

Non-DFPS and Non-SSCC Revenue

Report the total revenue received from all referral sources other than DFPS or SSCCs. Report both public and private revenue in this line. This includes referrals from other state agencies as well as private pay referrals.

SSCC Revenue

Used to report the revenue an SSCC has paid to a 24RCC provider for delivering services. For example, an RTC contracts with an SSCC to provide residential services to children. The RTC would report the monies they receive from the SSCC in this line item.

DFPS Exceptional Care Days Revenue

Report the total revenue amount by all providers.

Step 5.b. Placement Days and Revenue

5.b. Placement Days and Revenue

Please enter and verify the information below

Save Save and Return Cancel

Placement Days Rate Period 2 01/01/2023 - 08/31/2023										
Referral Source	Not By LON	Basic	Moderate	Specialized	Intense	Intense Plus	IPTP	Emergency Care Service	Treatment Foster Family Care	Temporary Emergency Placement
DFPS Referrals								<input type="text"/>		
Other Texas State or Other Local Agency Referrals (DADS, DSHS, TJJ, County, etc)								<input type="text"/>		
Out of State Agency (Not In Texas) Referrals								<input type="text"/>		
Private Pay Referrals								<input type="text"/>		
Single Source Continuum Contractor (SSCC) Referrals								<input type="text"/>		
DFPS Exceptional Care Referrals										
TOTAL	0	0	0	0	0	0	0	0	0	0

Placement Day Revenue Rate Period 2 01/01/2023 - 08/31/2023										
Referral Source	Not By LON	Basic	Moderate	Specialized	Intense	Intense Plus	IPTP	Emergency Care Service	Treatment Foster Family Care	Temporary Emergency Placement
DFPS Referrals	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
Other Texas State or Other Local Agency Referrals (DADS, DSHS, TJJ, County, etc)	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
Out of State Agency (Not In Texas) Referrals	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
Private Pay Referrals	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
Single Source Continuum Contractor (SSCC) Referrals	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
DFPS Exceptional Care Referrals	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Placement Days Rate Period 3 09/01/2023 - 12/31/2023										
Referral Source	Not By LON	Basic	Moderate	Specialized	Intense	Intense Plus	IPTP	Emergency Care Service	Treatment Foster Family Care	Temporary Emergency Placement
DFPS Referrals								<input type="text"/>		
Other Texas State or Other Local Agency Referrals (DADS, DSHS, TJJ, County, etc)								<input type="text"/>		
Out of State Agency (Not In Texas) Referrals								<input type="text"/>		
Private Pay Referrals								<input type="text"/>		
Single Source Continuum Contractor (SSCC) Referrals								<input type="text"/>		
DFPS Exceptional Care Referrals										
TOTAL	0	0	0	0	0	0	0	0	0	0

Placement Day Revenue Rate Period 3 09/01/2023 - 12/31/2023										
Referral Source	Not By LON	Basic	Moderate	Specialized	Intense	Intense Plus	IPTP	Emergency Care Service	Treatment Foster Family Care	Temporary Emergency Placement
DFPS Referrals	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
Other Texas State or Other Local Agency Referrals (DADS, DSHS, TJJ, County, etc)	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
Out of State Agency (Not In Texas) Referrals	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
Private Pay Referrals	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
Single Source Continuum Contractor (SSCC) Referrals	\$	\$	\$	\$	\$	\$	\$	\$ <input type="text"/>	\$	\$
DFPS Exceptional Care Referrals	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
TOTAL	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0

Save Save and Return Cancel

Report the total number of placement days, that have placements during the reporting period, broken out by referral source and type of referral. Report all

placement days where the referring agency does not use placement levels or uses a placement level definition different than the DFPS levels as "Not by LON".

"Not by LON (Level of Need)" is used when DFPS does not have a specific LON (e.g., Basic, Moderate, Specialized, Intense, and Intense Plus) assigned. Enter the corresponding revenue to Placement Days. 24-Hour Awake Night Supervision revenue should be incorporated here.

Step 5.c. Foster Family Pass Through Expenses

5.c. Foster Family Pass Through

Please enter and verify the information below

Save Save and Return Cancel

Pass Through Paid to Foster Families Rate Period 2 01/01/2023 - 08/31/2023						
Referral Type	Not By LON	Basic	Moderate	Specialized	Intense	Treatment Foster Family Care
DFPS Referred Children						
SSCC Referred Children						
Non-DFPS Referred Children						
TOTAL	0	0	0	0	0	0

Pass Through Paid to Foster Families Rate Period 3 09/01/2023 - 12/31/2023						
Referral Type	Not By LON	Basic	Moderate	Specialized	Intense	Treatment Foster Family Care
DFPS Referred Children						
SSCC Referred Children						
Non-DFPS Referred Children						
TOTAL	0	0	0	0	0	0

Save Save and Return Cancel

This section of the cost report is for use by CPAs to report the total Foster Family Pass Through dollars paid to foster families.

DFPS Referred Children

Report all pass through funds paid to foster families providing care to DFPS-referred children.

SSCC Referred Children

Report all pass through funds paid to foster families providing care to SSCC-referred children.

Non-DFPS Referred Children

Report pass through paid to foster families providing care to children referred from a non-DFPS and non-SSCC entity. Report all pass through funds where the referring agency does not use placement levels or uses a placement level definition different than the DFPS levels as "Not by LON".

Providers may receive state or federal funding in the form of grants and Medicaid revenue. If so, the provider must offset the revenue against costs before these costs are reported on the cost report. Each provider who receives Federal or State grants or Medicaid revenue must show how the grant or Medicaid revenue is offset against costs on the Trial Balance Reconciliation work paper(s). Each provider must report the total amount of Federal or State Grants to offset on their cost report in Step 5.d. Educational and vocational services revenue must also be offset against costs along with interest revenue or gains on sales of assets. Each provider must report interest revenue or gains of sales of assets on their cost report in Step 5.d.

The revenue received must reconcile with your trial balance and trial balance reconciliation work paper(s). The costs that are being offset by this revenue must reconcile with the costs shown on your trial balance, Trial Balance Reconciliation Work Paper(s), and cost report.

Since the cost report excludes both Runaway and Homeless Youth (RHY) and STAR days of service from the statistics reported in the cost report, **do not report costs associated with RHY and STAR in the cost report.** Show adjustments for RHY and STAR on the Trial Balance Reconciliation and Cost Allocation worksheets.

If any revenue received was allocated between two or more facilities, or between a residential facility and a non-residential program, provide the details of the allocation process. For any allocated grants or revenue, show only the revenue offset related to the cost report facility. In addition, when revenue offsets salary costs, the work hours corresponding to the revenue also need to be offset before the work hours are reported on the cost report. The purpose of this step is to summarize the offset of any work hours, corresponding Federal or State grant, or Medicaid revenue received that offsets salaries reported on the cost report before the work hours are reported on the cost report.

If you received interest income/revenue during the cost-reporting period and also incurred interest expense for a working capital loan (i.e., an operating line of credit), the interest income/revenue must first be used to offset the interest

expense on the working capital loan. If there is an excess of interest income after offsetting the working capital loan interest expense, then offset interest on other loans (e.g., vehicles, purchases, etc.).

Step 5.d. Other Revenue

Do you have any other types of revenue not reported in Steps 5.a. - 5.c.?		Yes
Type	Revenue	
Unrestricted Gifts, Grants, Donations, Endowments, and Trusts	<input type="text"/>	
Grants and Contracts from Federal, State and Local Government Sources including Medicaid	<input type="text"/>	
Educational and Vocational Services Revenue	<input type="text"/>	
Interest Revenue or Gains of Sales of Assets	<input type="text"/>	
TOTAL:	\$ 00	
Does any of your Federal, State and Local Government revenue or Educational and Vocational Services revenue, interest revenue, or Gains of sales of assets offset costs reported elsewhere in this report?		

Does the provider have any other types of revenue not reported in Steps 5.a. - 5.c.?

If you select yes to this question, then a table will open to report any additional revenues used to pay for expenses for services reported on the cost report. As a general rule, public grants are required to be offset before reporting on the Cost Report but private grants should not be offset. Grants from DFPS are typically an exception to the normal rule for public grants, as they are intended to be used for program activities included in the 24RCC report, and they do not need to be offset unless specifically designated for Child Specific Contracts or Exceptional Care.

Fundraising reported in this section should be limited to funds collected outside of the normal service delivery required for 24RCC functioning. Public and private fundraising required for normal service delivery should be included in Steps 5.a. – 5.c.

In-kind donations should not be reported as revenue. They should only be reported as an expense on the Cost Report, if used.

Unrestricted Gifts, Grants, Donations, Endowments, and Trusts

Report revenues acquired through unrestricted gifts, grants, donations, and income from endowments and trusts from private sources that were used to pay for expenses reported on the Cost Report and not previously listed in Steps 5.a. – 5.c.

Unrestricted gifts, grants, donations, and income from endowments and trusts from private sources used to purchase allowable program items should not be offset

before reporting on the cost report. All unrestricted funds which are properly allocable to the cost report should be reported on the cost report, as well as any allowable costs to which the unrestricted funds were applied.

Grants and Contracts from Federal, State and Local Government Sources including Medicaid

Report revenues acquired through grants and contracts from federal, state, and local government sources, including Medicaid, that were used to pay for expenses reported on the Cost Report and not previously listed in Steps 5.a. – 5.c.

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

Educational and Vocational Services Revenue and Interest Revenue or Gains of Sales of Assets

Report revenues from Educational and Vocational services, interest, and gains of sales of assets not previously listed in Steps 5.a. - 5.c. These revenues should not be offset before reporting on the cost report.

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

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

Provider Relief Funds (PRF)

PRF revenue recognized during the provider's reporting period as a result of lost revenue should not reduce any expenses included on the unadjusted trial balance before those expenses are reported on the cost report because these lost revenue dollars are not associated with any specific expense. This PRF revenue recognized as a result of lost revenue should instead be reported as "Unrestricted Gifts, Grants, Donations, Endowments, and Trusts" on Step 5.d. of the cost report as applicable and will have no impact on allowable expenses reported.

Step 6. Wages and Compensation

Purpose

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

How Does HHSC PFD Use this Information?

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

Step 6.a. General Information

6a. General Information

⊖ Please enter and verify the information below

Save Save and Return Cancel

Does the provider have any employee-related self-insurance expenses to report on this cost report? *	<input type="radio"/> Yes <input type="radio"/> No
Total number of central office staff employed by the controlling entity on the last day of the cost reporting period. *	Number Employed * * <input type="text"/>
Total number of non-central office staff employed by the contracted provider on the last day of the cost reporting period.	Number Employed * * <input type="text"/>
Does the provider have any Related-Party Wages and Compensation (Employee or Contractor) included in the Cost Report? *	<input type="radio"/> Yes <input type="radio"/> No
Was the provider considered an applicable large employer for the purposes of the Affordable Care Act during the reporting period in Step 4? *	<input type="radio"/> Yes <input type="radio"/> No
Please upload timesheets and/or time study documentation. *	<input type="text"/> Select file or upload new file
Does the provider directly offer any Education Services?	<input type="radio"/> Yes <input type="radio"/> No
Does the provider directly offer any Vocational Services?	<input type="radio"/> Yes <input type="radio"/> No

Save Save and Return Cancel

Was the provider considered an applicable large employer for the purposes of the Affordable Care Act during the reporting period in Step 4?

If "Yes," benefits/insurance must be reported in Step 6.d. If "No," benefits/insurance will not be required in 6.d. but an explanation must be provided if they are not entered. To determine if the provider is considered an applicable large employer, please visit the following link: <https://www.irs.gov/affordable-care-act/employers/determining-if-an-employer-is-an-applicable-large-employer>.

Does the provider have any employee-related self-insurance expenses to report on this cost report?

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

Please select "Yes" or "No" for all of the following self-insurance expenses.

If the previous question was answered "Yes" then click on each self-insurance category reported on this cost report (Health/Dental, Workers' compensation, Disability, or Other).

Total number of central office staff employed by the controlling entity on the last day of the cost-reporting period.

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

Total number of non-central office staff employed by the controlling entity on the last day of the cost-reporting period.

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

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

Click "Yes" or "No". See **Definitions**, Related-Party to determine if the provider must report a Related-Party. If the preparer clicks "Yes" then the Step on the main Wages and Compensation page called **Step 6.b.** will be activated for entry. If the preparer clicks "No" a nested question will populate asking the preparer to certify at this time they are completely sure there are no Related-Party wages or compensation in this cost report.

Does the provider directly offer any Education Services?

Click "Yes" or "No".

Does the provider directly offer any Vocational Services?

Click "Yes" or "No".

Upload an Organizational Chart.

The organizational chart must include the number of employees, names of employees, position titles, and any Related-Party information. Organizational charts should also include sufficient information about any contracts, components, or operations that share costs with the reviewed contract to assist HHSC in reviewing allocations regardless of whether the provider has related parties or not. Include information on Owner-Employees, Other Related-Party Employees for each business entity or component, and Related-Party Contractors for each business entity or component. Refer to Appendix C for an example.

Upload timesheets and/or time study documentation.

Per 1 TAC Section 355.102(j), direct costing must be used whenever reasonably possible. Payroll costs (including health insurance premiums, life insurance premiums, and other employee benefits) of a direct care employee who works across cost areas within one contracted program would be directly charged to each cost area of that program based upon that employee's continuous daily time sheets. The costs of a direct care employee who works across more than one service delivery area would also be directly charged to each service delivery area based upon that employee's continuous daily time sheets.

If cost allocation is necessary for cost-reporting purposes, contracted providers must use reasonable methods of allocation and must be consistent in their use of allocation methods for cost-reporting purposes across all program areas and business entities. Payroll costs for an administrative employee working across business components could be directly charged based upon that employee's time sheets and/or allocated based upon a documented time study.

Refer to the previous sections on Direct Costing, Split Payroll Periods, and Cost Allocation for more information. Refer also to 1 TAC Section 355.102(j).

Daily timesheets documenting time are required for all salaries directly charged to the cost report. If the employee only works for the provider in one program and one position type, the daily timesheet must document the start time, the end time, and the total time worked. If the employee works in different programs or more than one position type, there must be daily timesheets to document the actual time spent working for each provider, program, or position type so that costs associated with that employee can be properly direct costed to the appropriate cost area.

Owners (who are included in the Executive Administration staff category) and all related parties are subject to specific TAC requirements for time documentation. Per 1 TAC Section 355.105(b)(2)(B)(xi), the documentation should include, for owners and related parties:

- verification of the hours and days worked;
- verification of the amount of total compensation paid for duties, functions, and responsibilities performed, with a breakdown detailing regular salary, overtime, bonuses, benefits, and other payments;
- documentation of regular, periodic payments and/or accruals of the compensation;
- documentation that the compensation is subject to payroll or self-employment taxes; and
- a detailed allocation worksheet indicating how the total compensation was allocated across business components receiving the benefit of these duties.

Should the provider choose to include a time study as part of the uploaded documentation, certain rules apply. Per 1 TAC Section 355.105(b)(2)(B)(i):

“The minimum allowable statistical duration for a time study upon which to base salary allocations is four weeks per year, with one week being randomly selected from each quarter so as to assure that the time study is representative of the various cycles of business operations. One week is defined as only those days the contracted provider is in operation for seven continuous days. The time study can be performed for one continuous week during a quarter, or it can be performed over five or seven individual days, whichever is applicable, throughout a quarter. The time study must be a 100% time study, accounting for 100% of the time paid to the employee, including vacation and sick leave.”

Timesheet requirements for direct care staff are detailed further below. The uploaded documentation must include timesheets for all direct care employees reported in 24RCC. Time studies are not an acceptable method for documenting direct care employee costs.

Note: All documentation must be in spreadsheet format and preferably system-generated.

Documentation Requirements for all wages, compensation, and benefits

All staff whose duties include multiple direct care services (e.g., direct care workers, direct care trainers, and job coaches) and/or both direct care services and non-direct care services must maintain daily, continuous timesheets. The daily timesheet must document, for each day, the person’s start time, stop time, total hours worked, and the actual time worked (in increments no greater than 30 minutes) performing each separate function to be reported in different lines of the cost report. Time must be directly charged and allocation of time is not acceptable in such situations.

Required documentation of direct care service staff hours and compensation includes, but is not limited to, timesheets (for staff performing more than one function or working for more than one entity), job descriptions, payroll records, and written policies relating to compensation and benefits.

See 1 TAC Sections 355.103(b)(2) and 355.105(b)(2)(xi) for specific information about allowable costs and documentation requirements for related-party wages and compensation.

Note: When reporting employee hours on the Cost Report, report exempt full-time equivalents at a maximum of 40 hours per week. When reporting non-exempt full-time equivalents, report the actual hours worked including overtime.

Step 6.b. Related-Party

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

For Each Owner-Employee, Related-Party Employee, and Related-Party Contract Staff, Click “Add record” and Enter the Following Information

6b. Related-Party

First Name	Middle Initial	Last Name	Suffix	Birth Date (mm/dd)	Relationship to Provider	Percentage Ownership (if no ownership, enter 0)	Total Hours Worked	Total Compensation	Hourly Wage Rate	Is Allocation Complete
										●

- **First Name**
- **Middle Initial**
- **Last Name**
- **Suffix** – e.g. Jr., III, Sr.
- **Birth Date** – Format as mm/dd (e.g. 10/26 for October 26). The year is not requested.
- **Relationship to Provider** – This could be a blood relationship (Father, Sister, Daughter, Aunt), marriage relationship (Wife, Mother-in-Law, Brother-in-Law), Ownership (in the case of a corporation or partnership), or control

(membership in the board of directors, membership in the related board of directors, etc.)

- **Percentage Ownership** (in cases of corporation or partnership)
- **Total Hours Worked** – Total hours worked for all entities within the entire combined entity. If the Related-Party was paid for a “day of service”, then multiply that day by eight to report hours.
- **Total Compensation** – Total compensation (wages, salary, and/or contract payments) paid to the Related-Party by all entities within the entire combined entity. It is expected that all individuals will have received some form of compensation from within the combined entity.

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

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

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

- ▶ **Click “Save”** to enter Business Component and Line Item Allocation(s)
- ▶ The available business components are limited to the businesses and contracts entered in **Step 3**. If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to **Step 3.b.** and enter the missing business component data. Allocate or direct cost all hours reported for the individual under Total Hours Worked and Total Compensation to a business component before proceeding. The Hourly Wage Rate will

automatically be calculated. If allocated, an allocation method must be chosen and an allocation summary uploaded when prompted.

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

6b. Related-Party

First Name	Middle Initial	Last Name	Suffix	Birth Date (mm/dd)	Relationship to Provider	Percentage Ownership (if no ownership, enter 0)	Total Hours Worked	Total Compensation	Hourly Wage Rate
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Business Component & Line Item Allocation

Add Record

TOTAL		Hours	Compensation
Select Business Component Allocation Methodology		Attach Methodology	
<input type="text"/>		<input type="text"/> Select file or upload new file	

Save Cancel

- ▶ **Click "Add Record"** – Generates additional lines to record Line Item information for each business component. Choose and Click "Add Record" until all business components to which this Related-Party will be allocated have been added.

Enter Line Item Allocation(s)

- **Hours** – On the grey bar, enter hours allocated or direct costed to each business component. The compensation amount will be automatically calculated.
- **Line Item** – The drop-down menu includes all staff types reportable in this cost report.
- **Job Title** – Related-Party's title within the specific business component
- **Position Type** – Identify the type of position (e.g., central office, management, administrative, direct care, nurse, or direct care supervisory) filled by the related individual.
- **Description of Duties** – Describe the duties performed by the related individual as they relate to the specific cost report. List percentages reflecting how much time the individual is spending on various tasks or performing duties in different reported position types for the individual.
- **Employed/Contracted** – Select either Contracted or Employed. If the Related-Party is compensated during the year both as an employee and as a

contractor for the same activity, then the hours contracted would have to be entered separately from the hours employed.

- **Total Hours Worked** – Enter hours allocated or direct costed to each area. Allocate or direct cost all hours reported for the individual for the business component to an area before proceeding. Compensation will automatically be calculated.
- **Organizational chart (optional)** – Upload an organizational chart or select from the drop-down menu of documents that have already been uploaded.
 - ▶ The organizational chart should include the number of employees, names of employees at or above the Director level, position titles, and both the name and position of each related party (regardless of level).
 - ▶ Organizational charts should also include sufficient information about any contracts, components, or operations that share costs with the reviewed contract, to assist HHSC in reviewing allocations regardless of whether the provider has related parties. This information should include Owner-Employees for each business entity or component, Other Related-Party Employees for each business entity or component, and Related-Party Contractors for each business entity or component. Refer to [Appendix C](#) for an example.
- **Line Item Allocation Methodology** – If allocated to multiple line items, an allocation method must be chosen, and an allocation summary uploaded (in spreadsheet format and preferably system-generated). This will be required only if there were multiple line items entered.
- **Business Component Allocation Methodology** – After all business component line item allocations have been completed, reporting a Related-Party in multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded (in spreadsheet format and preferably system-generated).
- **Click “Certification of Completeness”**
- Once the preparer has finished entering all requested information regarding related parties, they will be asked to certify that all relevant information has been entered and that the list of Related-Party expenses is complete.

Note: Step 6.c. does not apply to the 24RCC Cost Report.

Step 6.d. Non-Administrative and Operational Personnel

6d. Non-Administrative and Operational Personnel

Type	Non-Related Party				Related Party				Related Party and Non-Related Party			Total Compensation	Average Staff Rate	Average Contracted Rate	Average Mileage Reimbursement per mile
	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Total Staff Hours	Total Staff Wages	Total Contracted Hours	Total Contracted Payment	Employee Benefits/Insurance	Miles Traveled	Mileage Reimbursement				
A	B	C	D	E	F	G	H	I	J	K	L	M (C+E+G+I+J+L)	N [(C+G)/(B+F)]	O [(E+I)/(D+H)]	P (L/K)
Case Management												\$0	\$0.00	\$0.00	\$0.00
Housekeeping / Kitchen And Dietary												\$0	\$0.00	\$0.00	\$0.00
Counselors, Therapists And Social Workers												\$0	\$0.00	\$0.00	\$0.00
Program Directors And Program Coordinators												\$0	\$0.00	\$0.00	\$0.00
Treatment Coordinators And Directors												\$0	\$0.00	\$0.00	\$0.00
Maintenance Staff												\$0	\$0.00	\$0.00	\$0.00
Staff Development Trainer												\$0	\$0.00	\$0.00	\$0.00
Driver												\$0	\$0.00	\$0.00	\$0.00
Vocational Staff												\$0	\$0.00	\$0.00	\$0.00
SSCC Service Coordinator												\$0	\$0.00	\$0.00	\$0.00
Psychological Services Staff												\$0	\$0.00	\$0.00	\$0.00
Education Liaison												\$0	\$0.00	\$0.00	\$0.00
Psychiatrists And Physicians												\$0	\$0.00	\$0.00	\$0.00
Educational Staff												\$0	\$0.00	\$0.00	\$0.00
Registered Nurse/Licensed Vocational Nurse												\$0	\$0.00	\$0.00	\$0.00
Medical/Health Care Technician/Nurse's Aide												\$0	\$0.00	\$0.00	\$0.00
Intake And Evaluation Staff												\$0	\$0.00	\$0.00	\$0.00
Intake And Evaluation Supervisors And Directors												\$0	\$0.00	\$0.00	\$0.00
Houseparents/ Child Care Staff												\$0	\$0.00	\$0.00	\$0.00
Other Facility & Operations Staff												\$0	\$0.00	\$0.00	\$0.00
Foster Family Recruiting and Retention Staff												\$0	\$0.00	\$0.00	\$0.00
Recreation & Activity Staff												\$0	\$0.00	\$0.00	\$0.00
TOTAL	0.00	\$0	0.00	\$0	0.00	\$0	0.00	\$0	\$0	0	\$0	\$0			

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

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

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

Pay for being "on-call" is reported as salaries by staff type but only on-call hours worked performing a specific function can be reported as time. For example, if an RN was on call for an entire weekend and received \$200 as on-call compensation,

the total \$200 would be reported as wages or compensation. If the RN was required for three hours to assist staff while on-call during the weekend, only three hours would be reported as paid hours and not the full 48 hours of the weekend.

For staff whose work hours are split between non-administrative service functions and administrative and operations functions (e.g., part-time Staff Development Trainer and part-time Training Support Staff) report in this Step only the hours and compensation associated with the provision of non-administrative service (e.g., the part-time Staff Development Trainer hours).

Pay special attention to the following cost categories to ensure costs are appropriately split between non-administrative and administrative areas on the Cost Report, when there are individual staff performing multiple functions:

- Program Directors and Program Coordinators/Administrative Directors and Administrative Coordinators
- Staff Development Trainer/Training Support Staff
- Driver/Facility Support Staff

All staff with multiple functions should be reported as such regardless of whether they are identified in the above list. Ensure any allocations of staff in the Cost Report are identified in supporting time sheet documentation.

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

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

Column J: Employee Benefits/Insurance

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

- Accrued Vacation and Sick Leave*

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

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

Note: Costs that are not employee benefits

Per 1 TAC Section 355.103(b)(1)(A)(iii)(II),

The contracted provider's unrecovered cost of...uniforms, employee personal vehicle mileage reimbursement,...job-related training reimbursements,...and job certification renewal fees...are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items, unless they are subject to payroll taxes, whereas they are reported as salaries and wages.

See 1 TAC Section 355.103(b)(15)(B) and instructions on staff personal vehicle mileage reimbursement for further direction on the correct reporting of these costs.

Columns K and L: Miles Traveled and Mileage Reimbursement

These columns are for BOTH related and non-Related-Party staff. For all staff reported above, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation include mileage and

reimbursements of these staff who transport individuals to/from 24-RCC activities in their personal vehicle unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff. Allowable travel and transportation also include mileage and reimbursements of these staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 7/1/22 – 12/31/22 62.5 cents per mile
- 1/1/23 – 12/31/23 65.5 cents per mile

Column M: Total Compensation

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

Column N: Average Staff Rate

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

Column O: Average Contracted Rate

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

Column P: Average Mileage Reimbursement per Mile

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

Step 6.e. Administrative and Operations Personnel

6e. Administrative and Operations Personnel

Please enter and verify the information below

Save Save and Return Cancel

Type	Non-Related Party				Related Party				Total Compensation J (C+E+G+I)	Average Staff Rate K [(C+G)/(B+F)]
	Total Staff Hours B	Total Staff Wages C	Total Contracted Hours D	Total Contracted Payment E	Total Staff Hours F	Total Staff Wages G	Total Contracted Hours H	Total Contracted Payment I		
Executive Administration									\$0	\$0.00
Administrative Directors and Administrative Coordinators									\$0	\$0.00
Executive and Administrative Assistants									\$0	\$0.00
Other Administrative Staff									\$0	\$0.00
Network Management									\$0	\$0.00
Contract Management Staff									\$0	\$0.00
Central Office Staff									\$0	\$0.00
Community Engagement Staff									\$0	\$0.00
Information Technology Staff									\$0	\$0.00
Training Support Staff									\$0	\$0.00
Facility Support Staff									\$0	\$0.00
Data and Records Support Staff									\$0	\$0.00
Legal Support Staff									\$0	\$0.00
Q&A/ Utilization Management Staff									\$0	\$0.00
TOTAL	0.00	\$0	0.00	\$0	0.00	\$0	0.00	\$0	\$0	

* Average excludes Central Office Staff

Type	Non-Related & Related Party				Average Mileage Reimbursement per Mile F (D/C)
	Employee Benefits/Insurance B	Miles Traveled C	Mileage Reimbursement D	TOTAL E (B+D)	
Central Office Staff				\$0	\$0.00
TOTAL	\$0	0	\$0	\$0	

Save Save and Return Cancel

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

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

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

For staff whose work hours are split between non-administrative service functions and administrative and operations functions (e.g., part-time Staff Development Trainer and part-time Training Support Staff) report in this Step only the compensation associated with the provision of administrative and operations functions (e.g., the part-time Training Support Staff hours).

Pay special attention to the following cost categories to ensure costs are appropriately split between non-administrative and administrative areas on the Cost Report, when there are individual staff performing multiple functions:

- Program Directors and Program Coordinators/Administrative Directors and Administrative Coordinators
- Staff Development Trainer/Training Support Staff
- Driver/Facility Support Staff

All staff with multiple functions should be reported as such regardless of whether they are identified in the above list. Ensure any allocations of staff in the Cost Report are identified in supporting time sheet documentation.

Other than the Central Office Staff line, which must include allocated costs for shared administrative functions across contracts, and the Executive Administration line which must include both allocated and direct costs for the Executive Administrator/Director, only direct costs should be reported for each administrative staff line item. There should not be allocated costs for shared administrative

functions reported in the Executive Administration, Administrative Directors and Administrative Coordinators, Executive and Administrative Assistants, or Other Administrative Staff lines, except for the Executive Administrator/Director whose costs must be reported in the designated line for Executive Administration whether they are directly charged or allocated.

- **Executive Administration** – Enter here the hours and compensation for C-level executive positions responsible for overseeing the entire operations of the program. Job titles in this staff type may include President, CEO, CFO, COO, Executive Director, Owner, etc.
- **Administrative Directors and Administrative Coordinators** – Enter here the hours and compensation for Directors and Coordinators of general administrative areas including Data Services, Quality Improvement, Utilization, Contracts, Human Resources, Network Development, Community Engagement, Staff, Advancement, Information, etc. Includes allocation for Support directors to general administrative areas. Job titles in this staff type may include Director of Network Development, Community Engagement Director, etc.
- **Executive and Administrative Assistants** – Enter here the hours and compensation for all assistants supporting Executive Administration and Administrative Directors and Coordinators. Job titles in this staff type may include Executive Assistant, Administrative Assistant, etc.
- **Central Office Staff** – Enter here the allocated portion of shared administrative staff. If the Executive Administration has been allocated to the cost report from the central office, ensure that the portion of costs reported as Executive Administration above is not also reported in this line item. Job titles in this staff type may include Human Resources, Accounting, Payroll, Administrative Supervisor, Admin Support, Receptionist, etc.
- **Network Management Staff** – Enter here the hours and compensation for network management staff. This category is limited to administrative support activities in managing the network and does not include recruitment, retention, placement, and licensing activities. Job titles in this staff type may include Network Management Specialist, Network Manager, etc.
- **Contract Management Staff** – Enter here the hours and compensation for staff involved in contracting and procurement for the program. Job titles in this staff type may include Contract Specialist, Contract Manager, etc.

- **Community Engagement Staff** – Enter here the hours and compensation for staff involved in allowable advertising and marketing per 1 TAC Section 355.103(b)(16), as well as community engagement and volunteer coordination. Job titles in this staff type may include Community Engagement Specialist, Community Engagement Manager, etc.
- **Quality Improvement/CQI and Utilization Review Staff** – Enter here the hours and compensation for Quality Assurance and Quality Improvement Staff, including Continuous Quality Improvement Staff, as well as Utilization Management and Review Staff. Job titles in this staff type may include Quality Improvement Specialist, Quality Improvement Supervisor, Utilization Review Specialist, Utilization Management Supervisor, etc.
- **Information Technology Staff** – Enter here the hours and compensation for staff overseeing the information technology operations of the program. Job titles in this staff type may include IT Specialist, Programmer, etc.
- **Training Support Staff** – Enter here the hours and compensation for training support staff for the program. Allocate as needed to exclude staff costs that may have been reported as non-administrative staff. Job titles in this staff type may include Training Specialist, Training Supervisor, etc.
- **Facility Support Staff** – Enter here the hours and compensation for facility support staff for the program, including Maintenance staff, Security staff, Transportation support staff costs for the facility that were not already reported as non-administrative staff (e.g., vehicle maintenance staff costs allocated to administrative use of vehicles), etc.
- **Data and Records Support Staff** – Enter here the hours and compensation for data and records support staff for the program. Allocate as needed to exclude staff costs that may have been reported as non-administrative staff. This category excludes IT staff. Job titles in this staff type may include Data Systems Analyst, Records Specialist, Data Specialist, Data Entry Supervisor, etc.
- **Legal Support Staff** – Enter here the hours and compensation for general counsel and legal support staff. Job titles in this staff type may include Attorney, Paralegal, Legal & Policy Compliance Manager, etc.
- **Other Administrative Staff** – Enter here any other professional and nonprofessional administrative personnel not otherwise captured or included

as Central Office. Job titles in this staff type may include Human Services Tech, etc.

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

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

Column J: Total Compensation

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

Column K: Average Staff Rate

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

Column L: Average Contract Rate

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

Column B: Employee Benefits/Insurance

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

- Accrued Vacation and Sick Leave*
- Employer-Paid Health/Medical/Dental Premiums
- Employer-Paid Disability Insurance Premiums
- Employer-Paid Life Insurance Premiums

- Employer-Paid Contributions to acceptable retirement funds/pension plans
- Employer-Paid Contributions to acceptable deferred compensation funds
- Employer-Paid Child Day Care
- Employer-Paid Claims for Health/Medical/Dental Insurance when the provider is self-insured (may be allocated)

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

Note: Costs that are not employee benefits

Per 1 TAC Section 355.103(b)(1)(A)(iii)(II),

The contracted provider's unrecovered cost of...uniforms, employee personal vehicle mileage reimbursement,...job-related training reimbursements,...and job certification renewal fees...are not to be reported as benefits but are to be reported as costs applicable to specific cost report line items, unless they are subject to payroll taxes, whereas they are reported as salaries and wages.

See 1 TAC Section 355.103(b)(15)(B) and instructions on staff personal vehicle mileage reimbursement for further direction on the correct reporting of these costs.

Columns C and D: Miles Traveled and Mileage Reimbursement

These columns are for BOTH related and non-Related-Party employee staff. For all staff reported in **Step 6.e.**, include the personal vehicle miles traveled and the mileage reimbursement paid for allowable travel and transportation in the staff person's personal vehicle. Allowable travel and transportation include mileage and reimbursements of these staff who transport individuals to/from 24RCC activities in their personal vehicle unless payroll taxes are withheld on the reimbursements, in which case they should be included as salaries and wages of the appropriate staff.

It also includes mileage and reimbursements of these staff for allowable training to which they traveled in their personal vehicle.

The maximum allowable mileage reimbursement is as follows:

- 7/1/22 – 12/31/22 62.5 cents per mile
- 1/1/23 – 12/31/23 65.5 cents per mile

Column E: Total of Benefits and Mileage Reimbursement

This column is the sum of Columns B + D.

Column F: Average Mileage Reimbursement per Mile

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

Step 7. Payroll Taxes and Workers' Compensation

Purpose

The purpose of Step 7 is to collect Payroll Taxes and Workers' Compensation information for the contracted provider's non-administrative, administrative, and central office staff.

How Does HHSC PFD Use this Information?

HHSC PFD uses this information to determine the contracted provider's Payroll Taxes and Workers' Compensation expenses. Expenses are used in the report reconciliation process to determine rate-setting calculations.

How to complete Step 7

Report costs for all staff in Step 7. Report cost for non-attendant/program administration (non-central office), and central office employees separately (attendant costs are not reportable for 24RCC).

The payroll tax and WCI information reported in Step 7 are accrued on related and non-Related-Party staff wages reported in the below steps:

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

If payroll taxes (i.e., FICA, Medicare, and state/federal unemployment) are allocated based on a percentage of salaries, the provider must disclose this functional allocation method. The use of a percentage of salaries is not the salaries allocation method since the salaries allocation method includes both salaries and contract labor. Allocated costs should be consistent with the allocation for employee salaries in **Step 6**.

7. Payroll Taxes and Workers' Compensation

Did the provider have a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses and/or dependent care costs? <input type="radio"/> Yes <input type="radio"/> No				
Is your entity a Texas Workforce Commission Reimbursing Employer (e.g., not required to pay quarterly taxes to the Texas Workforce Commission (TWC for unemployment coverage)? <small>Attach supporting Documentation (e.g., TWC Form C-66R (0891) 'Notice of Maximum Potential Charge - Reimbursing Employer' or a copy of a quarterly TWC report or notification letter from TWC)</small> <input checked="" type="radio"/> Yes <input type="radio"/> No <input type="text"/> Select file or upload new file				
Taxes and Workers' Compensation	Attendant	Non-Attendant and Program Admin	Central Office	Total
FICA and Medicare Payroll Taxes	<input type="text"/>	<input type="text"/>	<input type="text"/>	0
State and Federal Unemployment Taxes	<input type="text"/>	<input type="text"/>	<input type="text"/>	0
Workers' Compensation Premiums	<input type="text"/>	<input type="text"/>	<input type="text"/>	0
Workers' Compensation Paid Claims	<input type="text"/>	<input type="text"/>	<input type="text"/>	0

Did the provider have a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses, and/or dependent care costs?

Click either "Yes" or "No".

Is the entity a Texas Workforce Commission Reimbursing Employer?

Click either "Yes" or "No". If "Yes" is clicked, the provider must upload supporting documentation or select a file from the drop-down menu of documents that have already been uploaded.

Taxes

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

Federal Insurance Contributions Act (FICA) and Medicare Payroll Taxes

Report the actual cost of the employer's portion of these taxes. Do not include the employee's share of the taxes.

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

- The provider has indicated that they participate in a Section 125 or Cafeteria Plan that covers the employees for insurance premiums, unreimbursed medical expenses, and/or dependent care costs;
- The provider has reported staff who are paid over the FICA Wage Limit of \$147,000 for calendar year 2022 or \$160,200 for calendar year 2023.

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

State and Federal Unemployment Taxes

Report both federal (Federal Unemployment Tax Act or FUTA) and state (Texas Unemployment Compensation Tax Act or SUTA) unemployment expenses.

Workers' Compensation Premiums

If the contracted provider is a subscriber to the Workers' Compensation Act, report here the Workers' Compensation insurance premiums paid to the provider's commercial insurance carrier. If the effective period of the provider's Workers' Compensation insurance policy does not correspond to the provider's fiscal year, it will be necessary to prorate the premium costs from the two policy periods falling within the provider's reporting period to accurately reflect the costs associated with the cost reporting period. Premium costs include the base rate, any discounts for lack of injuries, any refunds for prior period overpayments, any additional modifiers and surcharges for experiencing high numbers of injuries (such as being placed in a

risk pool), and any audit adjustments made during the cost-reporting period. The Texas Workers' Compensation Commission audits traditional Workers' Compensation insurance policies yearly and annual adjustments must be properly applied to the cost-reporting period on a cash basis.

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

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

Workers' Compensation Paid Claims

If the provider was not a subscriber to the Workers' Compensation Act (i.e., traditional workers' compensation insurance policy), and paid workers' compensation claims for employee on-the-job injuries, report the amount of claims paid. Also report the part of any workers' compensation litigation award or settlement that reimburses the injured employee for lost wages and medical bills here unless the provider is ordered to pay the award or settlement as back wages subject to payroll taxes and reporting on a W-2, in which case the cost should be reported in Step 6. Note that only the part of the litigation award or settlement that reimburses the injured employee for lost wages and medical bills is allowable on this cost report.

If the provider maintained a separate bank account for the sole purpose of paying workers' compensation claims for employee on-the-job injuries (i.e., a nonsubscriber risk reserve account), the contributions made to this account are not allowable on the cost report. This type of arrangement requires that the contracted

provider be responsible for payment of all its workers' compensation claims and is not an insurance-type account or arrangement. A nonsubscriber risk reserve account is not required to be managed by an independent agency or third party. It can be a separate checking account set aside by the contracted provider for payment of its workers' compensation claims. However, only the amount for any claims paid should be reported on the cost report, not the amount contributed to any (reserve) account. There is a cost ceiling to be applied to allowable self-insurance workers' compensation costs or costs where the provider does not provide total coverage and that ceiling may limit the costs, which may be reported. See 1 TAC Sections 355.103(b)(13)(B) and 355.105(b)(2)(B)(ix) and **Appendix E**.

Step 8. Facility and Operations Costs

Purpose

The purpose of Step 8 is to collect expense information for the contracted provider that was used directly or indirectly in the provision of contracted services.

How Does HHSC PFD Use this Information?

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

How to complete Step 8

Step 8.a. General Information

8.a. General Information

Please enter and verify the information below

Does the provider have any contracted management costs to report? Note: Related-party management expenses must be reported as central office expenses.*	<input type="radio"/> Yes - Non-Related Party <input type="radio"/> Yes - Related Party <input type="radio"/> Yes - Both Non-Related Party and Related Party <input type="radio"/> No
Does the provider have any asset or operations-related self-insurance expenses to report on this cost report?	<input type="radio"/> Yes <input type="radio"/> No
Were any supplies or non-depreciable equipment purchased or leased from a related party?	<input type="radio"/> Yes <input type="radio"/> No
Were there any related-party loans?	<input type="radio"/> Yes <input type="radio"/> No
Were there any related-party contracted services?	<input type="radio"/> Yes <input type="radio"/> No
Was the building where program services were provided leased during the cost-reporting period?	<input type="radio"/> Yes - Non-Related Party <input type="radio"/> Yes - Related Party <input type="radio"/> No
Was the central office building leased during the cost-reporting period?	<input type="radio"/> Yes - Non-Related Party <input type="radio"/> Yes - Related Party <input type="radio"/> No

All Other Costs

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

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

Does the provider have any contracted management costs to report?

Note: Related-party management expenses must be reported as central office expenses.

Please select "Yes – Non-Related-Party," "Yes – Related-Party," or "Yes – Both Non-Related-Party and Related-Party," or "No." If any "Yes" answers are selected, upload a copy of the provider's contracted management agreement.

Does the provider have any asset or operations-related self-insurance expenses to report on this cost report?

Please select "Yes" or "No" for all of the following self-insurance expenses: Buildings and Contents, General Liability, Professional Malpractice, Vehicles, and Other.

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

Were any supplies or non-depreciable equipment purchased or leased from a Related-Party?

Click either "Yes" or "No". If "Yes", **Step 8.b.** will become available for entry of related-party transactions. Refer to **Definitions**, Related-Party and Related-Party Transactions.

Were there any related-party loans?

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

Were there any related-party contracted services?

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

Was the building in which program services were provided leased during the cost-reporting period?

Indicate whether or not the building where 24RCC program services were provided was leased during all or part of the cost report period by selecting "Yes – Non-Related-Party," "Yes – Related-Party," or "No." If any "Yes" answers are selected, upload a copy of the lease agreement and HHSC Schedule D or other similar documentation. Submission of the lease agreement with a prior quarter's cost report does not exempt a facility from the requirement to submit another copy with the current Schedules and attachments to the cost report.

Was the central office building leased during the cost-reporting period?

Indicate whether or not the central office building was leased during all or part of the cost report period by selecting "Yes – Non-Related-Party," "Yes – Related-Party," or "No." If any "Yes" answers are selected, upload a copy of the lease agreement and HHSC Schedule D or other similar documentation. Submission of the central office building lease agreement with a prior quarter's cost report does not exempt a facility from the requirement to submit another copy with the current Schedules and attachments to the cost report.

Upload an Organizational Chart

The organizational chart must include the number of employees, names of employees, position titles, and any Related-Party information. Organizational charts should also include sufficient information about any contracts, components, or operations that share costs with the reviewed contract, to assist HHSC in reviewing allocations regardless of whether the provider has related parties or not. This includes information on Owner-Employee for each business entity or component, Other Related-Party Employee for each business entity or component, and Related-Party Contractor for each business entity or component. See Appendix C for an example.

All Other Costs

All Other Costs

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

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

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

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

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

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

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

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

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

Exceptions to the Related-Party Rule

As per 1 TAC Section 355.102(i)(5):

“An exception is provided to the general rule applicable to related organizations...if the contracted provider demonstrates [for each cost report]...that certain criteria have been met. If all the conditions of this exception are met, then the charges by the [related-party] supplier to the contracted provider for such services, equipment, facilities, leases, or supplies are allowable costs [and do not have to be reported as related-party transactions]...Written requests for an exception to the general rule applicable to related organizations must be submitted for approval to HHSC’s...[Provider Finance] Department no later than 45 days prior to the due date of the cost report to be considered for that quarter’s cost report.”

The provider’s request for an exception must demonstrate that all the following criteria have been met:

- “The supplying organization is a bona fide separate organization” (1 TAC Section 355.102[i][5][A]).
- “A majority of the supplying organization’s business activity of the type carried on with the contracted provider is transacted with other organizations not related to the contracted provider and the supplier by common ownership or control” (1 TAC Section 355.102[i][5][B]).
- “...there is an open, competitive market for the type of services, equipment, facilities, leases, or supplies furnished by the related organization” (1 TAC Section 355.102[i][5][B]).
- “The services, equipment, facilities, leases, or supplies are those which commonly are obtained by entities such as the contracted provider from other organizations and are not a basic element of contracted care ordinarily furnished directly to clients by such entities” (1 TAC Section 355.102[i][5][C]).
- “The charge to the contracted provider is...[comparable to open market prices and does not exceed] the charge made under comparable circumstances to others by the organization for such services, equipment, facilities, leases, or supplies” (1 TAC Section 355.102[i][5][D]).

If Medicare has decided that a related-party situation does not exist or has granted an exception to the related-party definition, and the provider wants HHSC to accept that determination, the cost report preparer must submit with each affected cost report:

- A copy of the applicable Medicare determination, and
- Evidence supporting the Medicare determination for the current cost-reporting period.

“If the exception granted by Medicare is no longer applicable due to changes in circumstances of the contracted provider or because the circumstances do not apply to the contracted provider, HHSC may choose not to accept the Medicare determination” (1 TAC Section 355.102[i][5]). If the request for a related-party exception is not received at least 45 days before the due date of the cost report, the HHSC PFD is not required to process the request for that cost-reporting year.

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

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

- **Click “Add record”**

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

Name of Related-Party/Organization	Type	Description	Cost to Related-Party	Is Allocation Complete?
				✔

Save Save and Return Cancel Add Record Edit Delete Record

- ▶ All columns must be completed for each related-party transaction.
- ▶ **Name of Related-Party/Organization** – Enter the name of the Related-Party or organization from whom the contracted provider purchased or leased equipment and/or supplies. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.
- ▶ **Type** – Must be chosen from the drop-down menu. This is the cost report line item on which the allowable expense will be reported.

- ▶ **Description** – Describe the items/goods purchased or leased from the Related-Party. Examples include purchased office supplies, purchased letterhead, leased or purchased copier or computer (below the depreciable value), etc. The entry of related-party lending/loans, contracted services, and depreciable purchases or leases will be discussed in other Steps below.
 - ▶ **Cost to Related-Party** – This amount should be the actual cost to the related individual or organization, not to exceed the price of comparable non-depreciable equipment and/or supplies that could be purchased or leased elsewhere in an arm's-length transaction.
- **Click “Save”** to enter Business Component and Cost Area Allocation(s)

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

Name of Related-Party/Organization	Type	Description	Cost to Related-Party	Is Allocation Complete?
				✔

- The available business components are limited to the businesses and contracts entered in **Step 3**. If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to **Step 3.b.** and enter the missing business component data. Allocate or direct cost all costs reported for the Related-Party/Organization under Cost to the Related-Party to a business component before proceeding. If allocated, an allocation method must be chosen, and an allocation summary uploaded.
 - ▶ **Business Component** – The drop-down menu includes all business components for the provider entity. If the provider entity only has one business component, the drop-down menu does not appear, and the single business component is automatically entered under the business component.
 - ▶ **Click “Add Record”** – Generates additional lines to record Cost Area information for each business component. Choose and Click “Add Record” until all business components to which this expense will be allocated have been added.
- Enter all Cost Area Information
 - ▶ **Cost to Related-Party** – On the grey bar, enter the cost allocated or direct costed to each business component.

- ▶ **Area** – The dropdown menu for “Area” includes all cost areas reportable in this cost report. See **Step 8.f.** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office that can be directly charged to the contracted provider should be reported as Program Administration. See Definitions, Central Office.
- ▶ **Cost to Related-Party** – Enter the cost to the Related-Party direct costed or allocated to this cost area within the business component.
- ▶ **Line Item Allocation Methodology** – If allocated to multiple cost areas, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
- ▶ **Business Component Allocation Methodology** – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.
- ▶ **Upload supporting documentation for expenses.** The documentation must include Related-Party transaction records for all Related-Party expenses reported. These transaction records must originate from the Related-Party. Supporting documentation must include the Related-Party/organization name and detail the purpose of each expense.

Note: All uploaded documentation must be in spreadsheet format and preferably system-generated.

Step 8.c. Related-Party Loans

Report in this step any related-party loans from individuals or organizations. Actual interest properly accrued and paid on related-party loans is an allowable cost. However, it is limited to the interest that would have been charged during the reporting period had the interest rate on the loan been set at the prevailing national average prime interest rate in effect when the loan contract was finalized, as reported by the United States Department of Commerce, Bureau of Economic Analysis, in the Survey of Current Business. The best and quickest source of prime

interest rate information is the [Federal Reserve Bank of St. Louis website](https://fred.stlouisfed.org/categories/117) (<https://fred.stlouisfed.org/categories/117>). This data series extends back to 1949 and is updated monthly.

- **Click “Add record”**

8.c. Related-Party Loans

	Name of Related-Party/Organization	Type	Description	Inception Date	Loan Amount	Term (months)	Interest	Is Allocation Complete?
								✓

- ▶ All columns must be completed for each related individual or organization.
- ▶ **Name of Related-Party/Organization** – Enter the name of the Related-Party or organization from whom the contracted provider purchased or leased equipment and/or supplies. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.
- ▶ **Type** – Must be chosen from the drop-down menu. This is the cost report line item on which the allowable expense will be reported.
- ▶ **Description** – If “Other” was chosen for B above, describe the type of loan.
- ▶ **Inception Date** – Month and year the loan was effective.
- ▶ **Loan Amount** – This should be the total amount of the loan.
- ▶ **Term** – Duration of the loan in months.
- ▶ **Interest** – Allowable interest paid during the reporting period.
- **Click “Save”** to enter Business Component and Cost Area Allocation(s).
 - ▶ The available business components are limited to the businesses and contracts entered in **Step 3**.
 - ▶ If a business component that should receive a portion of the allocated cost of the item(s) is not in the drop-down menu, then the preparer should return to **Step 3.b.** and enter the missing business component data.
 - ▶ Allocate or direct cost all costs reported for the Related-Party/Organization under Cost to the Related-Party to a business

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

Business Component & Line Item Allocation

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

● Enter all Cost Area Information

Business Component & Line Item Allocation

- ▶ **Interest** – On the grey bar, enter the allowable interest expense allocated or direct costed to each business component.
- ▶ **Area** – The dropdown menu for “Area” includes all cost areas reportable in this cost report. See **Step 8.f.** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are

allocated between multiple business components. Costs of a central office that can be directly charged to the contracted provider should be reported as Program Administration. See **Definitions, Central Office**.

- ▶ **24RCC Specific Category** – Select Interest - Working Capital Loans or Interest - Other as applicable.
- ▶ **Interest** – Enter the allowable interest expense direct costed or allocated to this cost area within the business component.
- ▶ **Line Item Allocation Methodology** – If allocated to multiple cost areas, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
- ▶ **Business Component Allocation Methodology** – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.
- ▶ **Upload supporting documentation for expenses.** The documentation must include Related-Party transaction records for all Related-Party expenses reported. These transaction records must originate from the Related-Party. Supporting documentation must include the Related-Party/organization name and detail the purpose of each expense.

Note: All uploaded documentation must be in spreadsheet format and preferably system-generated.

Step 8.d. Related-Party Contracted Services

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

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

- **Click “Add record”**
 - ▶ **All columns must be completed** for each related individual or organization.
 - ▶ **Name of Related-Party/Organization** – Enter the name of the Related-Party or organization from whom the contracted provider purchased services as described above. If the contracted provider is a proprietorship, the related organization could be the individual owner rather than a separate corporation. If the contracted provider is a partnership, the related organization could be one of the partners.
 - ▶ **Type** – Must be chosen from the drop-down menu. This is the line item on which the allowable cost will appear in the cost report.
 - ▶ **Description** – Describe the services purchased from the related-party organization or individual. Examples may include data processing services, legal services, accounting services, management consulting services, medical director, accountant, building maintenance, and lawn maintenance.
 - ▶ **Cost to Related-Party** – This amount should be the actual cost to the related individual or organization providing the services, not to exceed the price of comparable services that could be purchased elsewhere in an arm's-length transaction.
- **Click “Save”** to enter Business Component and Cost Area Allocation(s)
 - ▶ The available business components are limited to the businesses and contracts entered in **Step 3.**
 - ▶ If a business component that should receive a portion of the allocated cost of the service(s) is not on the list, then the preparer should return to **Step 3.b.** and enter the missing business component data.
 - ▶ Allocate or direct cost all costs reported for the Related-Party/Organization under Cost to the Related-Party to a business

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

8.d. Related-Party Contracted Services

Please enter and verify the information below

Save Cancel

Name of Related-Party/Organization	Type	Description	Cost to Related-Party
<input type="text"/>	---	<input type="text"/>	<input type="text"/>
<input type="text"/>	Fees - Management Contract	<input type="text"/>	<input type="text"/>
<input type="text"/>	Building / Equipment - Contracted Services and Maintenance and Repairs	<input type="text"/>	<input type="text"/>
<input type="text"/>	Fees - Contracted Administrative, Professional, Consulting and Training Services	<input type="text"/>	<input type="text"/>
<input type="text"/>	---	<input type="text"/>	<input type="text"/>
<input type="text"/>	---	<input type="text"/>	<input type="text"/>

Save Cancel

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

8.d. Related-Party Contracted Services

Name of Related-Party/Organization	Type	Description	Cost to Related-Party
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

Business Component & Line Item Allocation

Add Record

		Cost to Related-Party
Area		Cost to Related-Party
<input type="text"/>	<input type="text"/>	<input type="text"/>
Add Line Item		
TOTAL		
Select Line Item Allocation Methodology		Attach Methodology
<input type="text"/>	<input type="text"/>	Select file or upload new file
TOTAL		
Select Business Component Allocation Methodology		Attach Methodology
<input type="text"/>	<input type="text"/>	Select file or upload new file

Save Cancel

- ▶ **Enter all Cost Area Information:**
- ▶ **Cost to Related-Party** – On the grey bar, enter the cost allocated or direct costed to each business component.

- ▶ **Area** – The dropdown menu for “Area” includes all cost areas reportable in this cost report. See **Step 8.f.** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are allocated between multiple business components. Costs of a central office that can be directly charged to the contracted provider should be reported as Program Administration. See **Definitions**, *Central Office*.
- ▶ **Cost to Related-Party** – Enter the cost to the Related-Party direct costed or allocated to this cost area within the business component.
- ▶ **Line Item Allocation Methodology** – If allocated to multiple cost areas, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
- ▶ **Business Component Allocation Methodology** – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.
- ▶ **Upload supporting documentation for expenses.** The documentation must include Related-Party transaction records for all Related-Party expenses reported. These transaction records must originate from the Related-Party. Supporting documentation must include the Related-Party/organization name and detail the purpose of each expense.

Note: All uploaded documentation must be in spreadsheet format and preferably system-generated.

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

For cost-reporting purposes, property and assets owned by the contracted provider and improvements to the provider’s owned, leased, or rented property that are valued at \$5,000 or more with an estimated useful life of more than one year at the time of purchase must be depreciated. Any single item costing less than \$5,000 should be expensed and reported as supplies in the applicable cost area. For

example, a non-depreciable calculator and a non-depreciable bookshelf would be reported as "Operations Supplies".

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

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

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

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

building must be depreciated over the normal useful life of the building improvements.

- ◇ **Providers who rent or lease their building** must report any building improvement depreciation as leasehold improvement depreciation.
- ▶ **Building Fixed Equipment:** any equipment which is attached to the building and is intended to be permanent, such as central air conditioning systems and trade fixtures. Providers who rent or lease the facility must report any building fixed equipment depreciation as leasehold improvements depreciation.
- ▶ **Leasehold Improvements:** improvements a lessee makes to a leased building. These improvements are attached to the building or land permanently. They become the property of the lessor when the lease is terminated. Examples of leasehold improvements are permanent trade fixtures, additions, and betterments. All building equipment and land improvements purchased by a lessee, that are valued at \$5,000 or more at the time of purchase with an estimated useful life of more than one year must be classified as a leasehold improvement and amortized. Leasehold improvements whose estimated lives are longer than the lease term must be amortized over the life of the leasehold improvement.
- ▶ **Land Improvements:** assets found on the land area contiguous to, and designed for serving, the contracted provider such as fences, sidewalks, driveways, parking lots, etc. The asset can include a proportionate share of the architectural, consulting, and interest expenses associated with newly constructed or renovated buildings. Providers who rent or lease the facility must report land improvement depreciation as leasehold improvement depreciation.
- ▶ **Research and Development (R&D), Organizational, and Start-up:** must be amortized over at least 60 months. R&D costs include those costs related to determining the business feasibility of obtaining a contract and can include costs such as demographic research and consulting fees.
 - ◇ Organizational costs may include legal fees, state incorporation fees, stock certificate costs, underwriting costs, and office expenses incident to organizing the company.

- ◇ Start-up costs include employee training, licensing, utilities, facility cleaning, and other preparations incurred before the first individual (whether Medicaid or non-Medicaid) is admitted to the program. Startup costs do not include capital purchases, which are purchased assets meeting the criteria for depreciation as described in the Cost Determination Process rules.
- ◇ Any costs that are properly identifiable as capitalizable construction costs must be appropriately classified and excluded from startup costs. **Costs related to care for individuals incurred after the first individual is admitted but before the provider is Medicaid-certified are unallowable costs.**
- **Depreciation - Departmental Equipment:** any equipment capable of being moved from one site to another, such as all types of furniture, appliances, office machines, and any other items of equipment that are necessary operating assets.
- **Depreciation - Transportation Equipment:** equipment used for the transport of individuals in care, staff, or materials and supplies utilized by the provider in the provision of contracted care. Depreciation expenses for transportation equipment not generally suited or not commonly used to transport individuals in care, staff, or provider supplies are unallowable costs. This includes motor homes and recreational vehicles, sports automobiles, motorcycles, heavy trucks, tractors, and equipment used in farming, ranching, and construction. Lawn tractors are to be reported as departmental equipment.
- **Rent/Lease - Building and Building Equipment:** Includes the assets in the previous bullet entitled, "Depreciation: Buildings and Building Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization" that are rented or leased from a related-party. Additional expense types for possible building-related costs are optional entries.
 - ▶ **Mortgage Interest** – Mortgage interest for the property leased to the contracted provider that was properly accrued and paid by the Related-Party.
 - ▶ **Interest-Other** – Other interest expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the Related-Party.

- ▶ **Property Tax** – Property tax payments for the property leased to the contracted provider that were properly accrued and paid by the Related-Party.
- ▶ **Insurance Expense** – Insurance expenses for the property leased to the contracted provider that were properly accrued and paid by the Related-Party.
- ▶ **Other Expense** – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the Related-Party.
- **Rent/Lease - Departmental Equipment/Other:** includes the assets in B. above. Additional expense types for possible departmental equipment-related costs to the Related-Party are optional entries.
 - ▶ **Interest-Other** – Other interest expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the Related-Party.
 - ▶ **Other Expense** – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the Related-Party.
- **Rent/Lease - Transportation Equipment or Contracted Transportation Services:** includes the assets in C. above. Additional expense types for possible transportation equipment-related costs to the Related-Party are optional entries.
 - ▶ **Transportation-Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other** – Enter here only the Interest, Insurance, and/or Repair and Maintenance expenses directly related to the transportation equipment leased to the contracted provider that were properly accrued and paid by the Related-Party.
 - ▶ **Other Expense** – Other expenses directly related to the property leased to the contracted provider that were properly accrued and paid by the Related-Party.

Note: Allowable depreciation expense includes only pure straight-line depreciation. No accelerated or additional first-year depreciation is allowable.

Minimum useful lives must be consistent with "Estimated Useful Lives of Depreciable Hospital Assets", published by the American Hospital Association (AHA) (Revised 2018 Edition Item Number - Item No. 061190 ISBN: ISBN: 978-0-87258-983-4). Copies of this publication may be obtained by contacting:

Mail:

AHA Services, Inc.
155 N. Wacker Dr.
Chicago, IL 60606

Phone (Toll-Free):

800-424-4301

Website:

[AHA Online Store](#)

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

Required detail must be provided for each depreciable asset and each depreciable asset will be assigned a correct estimated useful life as required by 1 TAC Section 355.103(b)(10)(A-C).

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

Reporting Capital Assets Individually:

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

- **Click “Add Record”**

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

Is this a shared asset?	<input type="radio"/> Yes <input type="radio"/> No
Related-Party or Non-Related-Party	<input type="radio"/> Non-Related-Party <input type="radio"/> Related-Party
Asset	<input type="text"/>
Code (optional)	<input type="text"/>
Description of Asset	<input type="text"/>
Asset in Service at end of period?	<input type="radio"/> Yes <input type="radio"/> No
Month/Year Placed in Service (mm/yyyy)	<input type="text"/>
Years of Useful Life	<input type="text"/>
Historical Costs	<input type="text"/>
Salvage Value	<input type="text"/>
Depreciation Basis	<input type="text"/>
Prior Period Accumulated Depreciation	<input type="text"/>
Depreciation for Reporting Period	<input type="text"/>
Total Expense for Reporting Period	<input type="text"/>

- ▶ **Is this a shared asset?** – Click “Yes” or “No”. If “Yes”, the preparer will be asked to allocate the asset between business components and cost areas after saving. If “No”, the system will automatically assign the asset to the current cost report.
- ▶ **Related-Party or Non-Related-Party** – Click “Related-Party” if the asset was purchased or leased from a Related-Party or “Non-Related-Party” if the asset was purchased from a nonRelated-Party.

Note - Only Related-Party leases are reported through the Depreciation screens. Nonrelated-party leases are reported in **Step 8.f**.

- ▶ **Asset** – This is the line item on which the allowable cost will appear in the cost report. If it is a related-party lease, then a drop-down menu with additional expense types will be available for entry of related-party cost.
- ▶ **Code (optional)** – For internal provider use.

- ▶ **Description of Asset** – This will be chosen from a drop-down menu populated from the AHA Guide discussed in Years of Useful Life below. If the preparer does not find the type of asset and cannot determine a close match, contact HHSC PFD to determine if a new asset type should be added.

Note: If “Building” is selected, a drop-down menu will request an address. If the building is being leased (related parties only), a lease agreement must be uploaded.

- ▶ **Asset in Service at end of period?** – Click “Yes” or “No” to note whether this item was in service at the end of the cost reporting period. If “Yes”, enter the Month/Year Placed in Service. If “No”, enter the Month/Year Placed in Service and the Month/Year Removed from Service.
- ▶ **Years of Useful Life** – The time period over which the asset must be depreciated. STAIRS populates this based on the Description entered in E. above for all assets.
- ▶ **Historical Cost** – The cost of acquiring the asset and preparing it for use. Does not include goodwill or, for buildings, the cost of the land (land is not a depreciable item).
- ▶ **Salvage Value** – This amount will be calculated automatically. Salvage value is the estimated residual value of the asset for scrap or salvage after its useful life has ended. All buildings must have a minimum salvage value of at least 10% of the historical cost for cost-reporting purposes. No other salvage values are required.
- ▶ **Depreciation Basis** – Calculated figure equal to H minus I (will populate once Month/Year Placed in Service is entered).
- ▶ **Prior Period Accumulated Depreciation** – Calculated figure. Based on the date placed in service and calculation of depreciation on the Depreciation Basis from that date to the beginning date of the cost reporting period.
- ▶ **Depreciation for Reporting Period** – Calculated figure. Based on the date placed in service, the beginning date of the cost reporting period,

and any date entered as Month/Year Removed from Service, and the remaining useful life.

- ▶ **Total Expense for Reporting Period** – Calculated figure. For Related-party leases, this will include costs from C. above, as well as the depreciation on the asset.
- **Click “Save”** to enter Business Component and Cost Area Allocation(s)
 - ▶ **Business Component** – The available business components are limited to the businesses and contracts entered in **Step 3**. If a business component that should receive a percentage of the asset or related-party leased items is not on the list, then the preparer should return to **Step 3.b.** and enter the missing business component data. Allocate or direct cost 100% of the asset costs for a business component before proceeding. If allocated, an allocation method must be chosen, and an allocation summary uploaded.

Business Component & Line Item Allocation

		Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
Area		Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
Add Line Item						
TOTAL						
Select Line Item Allocation Methodology				Attach Methodology		
100005003 - DAHS				Select file or upload new file		
TOTAL					100.00%	
Select Business Component Allocation Methodology				Attach Methodology		
				Select file or upload new file		

Save Cancel

- ◇ **Business Component** – The drop-down menu includes all business components for the provider entity. If the provider entity has only one business component, the drop-down menu does not appear, and the single business component is automatically entered under the business component.
- ◇ **Click “Add Record”** – Generates additional lines to record cost area information for each business component. Click “Add Record” until all business components to which this expense will be allocated have been added.
- ◇ **Information in the Business Component Gray Bar:**

- **Asset in Service at end of period?** – The response for the business component will default to “Yes” if the asset information above states that the asset itself was in service at the end of the period. This entry field allows for the possibility that the asset is taken out of service for a single business component but not for all. The allocation of an asset may also change throughout a year. This question allows for flexibility in how asset allocation may change.
- **Month/Year Placed in Service (mm/yyyy)** – Enter the month and year the asset was initially placed in service for depreciation purposes for this specific business component.
- **Month/Year Removed from Service (mm/yyyy)** – If the asset was removed from service for this business component during the current year, enter the month and year the asset was removed from service.
- **Allocation %** – The percentage of the costs allocated to this specific business component.
- **Expense for Reporting Period** – Calculated figure based on the percentage(s) entered.

- **Enter all Cost Area Information**

Business Component & Line Item Allocation

Add Record

		Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
		<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
	Area	Asset in Service at end of period?	Month/Year Placed in Service (mm/yyyy)	Month/Year Removed from Service (mm/yyyy)	Allocation %	Expense for Reporting Period
	<input type="text"/>	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
Add Line Item						
TOTAL						
Select Line Item Allocation Methodology				Attach Methodology		
<input type="text"/>				<input type="text"/> Select file or upload new file		
	100005003 - DAHS	<input type="checkbox"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
TOTAL						
Select Business Component Allocation Methodology				Attach Methodology		
<input type="text"/>				<input type="text"/> Select file or upload new file		

Save
 Cancel

- ▶ **Area** – The dropdown menu for “Area” includes all cost areas reportable in this cost report. See **Step 8.f.** for a detailed discussion of Cost Areas. Central Office may only be used for expenses of a central office that are

allocated between multiple business components. Costs of a central office that can be directly charged to the contracted provider should be reported as Program Administration. See Definitions, *Central Office*.

- ▶ **Asset in Service at end of period?** – The response for the cost area will default to “Yes” if the business component information above states that the asset itself was in service at the end of the period. This entry field allows for the possibility that the asset is taken out of service for a single cost area, but not for all. The allocation of an asset may also change throughout the year. This question allows for flexibility in how asset allocation may change throughout the year.
- ▶ **Month/Year Placed in Service** – Enter the month and year the asset was initially placed in service for depreciation purposes for this specific cost area.
- ▶ **Month/Year Removed from Service** – If the asset was removed from service for this cost area during the current year, then enter the month and year that the asset was removed from service.
 - ◇ The two lines above (C and D) also allow for changes in allocation percentages throughout the year.
 - ◇ By entering an end date at the point where the allocation changes and adding a record with a new ‘placed in service date’ for the new allocation period, the usage changes will be considered in the calculation of the depreciation below.
- ▶ **Allocation Percentage** – The percentage of the costs to be allocated to this specific cost area.
- ▶ **Expense for Reporting Period** – Calculated figure based on the percentage(s) entered.
- ▶ **Line Item Allocation Methodology** – If allocated to multiple cost areas, an allocation method must be chosen, and an allocation summary uploaded. This will be required only if there were multiple cost areas selected.
- ▶ **Business Component Allocation Methodology** – After all business component cost area allocations have been completed, an expense that is allocated to multiple business components will also require that a business component allocation method be chosen, and an allocation summary uploaded.

- ▶ **Upload Schedule E** form for Contract Management Information. See Appendix I for more information.
- ▶ **Upload Related-Party lease agreement.**
- ▶ **Upload supporting documentation for expenses.** The documentation must include records of manually calculated depreciation expenses, if any are entered (regardless of whether or not they are Related-Party expenses), as well as transaction records originating from the Related-Party for all Related-Party expenses reported. Supporting documentation for Related-Party expenses must include the Related-Party/organization name. All supporting documentation must detail the purpose of each expense (including interest, tax, and insurance for depreciation expenses).

Note: All uploaded documentation must be in spreadsheet format and preferably system-generated.

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

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

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

Cost Areas

Program Administration & Operations

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

Central Office

The Central Office cost area is intended to capture the allocated portion of shared (i.e., central office) administrative costs. For example, if documentation supports allowable legal fees directly related to the management of the contracts included in the Cost Report Group, those legal fees should be reported in the Program Administration & Operations cost area. However, if the allowable legal fees were related to the corporation or related organization as a whole (e.g., general employee policies and procedures), the allocated portion would be reported in the Central Office cost area. If an outside accountant prepared the cost report for the contracted provider, the cost should be directly charged to the Program Administration & Operations cost area. If an outside accountant prepares financial statements for the parent company or sole member, the allocated portion of those costs applicable to the contracts included in the Cost Report Group must be reported in the Central Office cost area.

Allowable central office costs include those costs necessary for the provision of care for contracted services in Texas and an appropriate share of allowable indirect costs. Costs that are unallowable to the contracted provider are also unallowable as central office costs. Central office costs must be reported at the actual cost to the central office with no markup.

The Central Office cost area of the cost report is self-contained; meaning that all allocated costs associated with the central office are reported in that cost area and should not be reported anywhere else on the cost report.

For details on allocating shared costs, see **Appendix B**.

Educational:

- The Educational cost area is intended to capture facility, operations, and administrative expenses associated with the contracted provider's educational activities. Allocated costs for an administrator from the central office, relating to educational services, should be reported here.

Vocational

- The Vocational cost area is intended to capture facility, operations, and administrative expenses associated with the contracted provider's vocational activities. Allocated costs for an administrator from the central office, relating to vocational services, should be reported here.

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

Rent / Lease – Building and Building Equipment

- Report building and building equipment rental or lease costs in this item.
- If the rental or lease of a building is from a related-party, do not enter directly here. The lease and related costs must be entered in **Step 8.e**. The calculated cost to the related-party will be transferred here.
- If the rental/lease of building equipment is from a related-party, do not enter directly here. The lease must be entered in **Step 8.b** if the building equipment is non-depreciable (items costing less than \$5,000 or with a useful life of less than one year) or **Step 8.e** if the building equipment is depreciable (items with a cost of \$5,000 or more and a useful life of more than one year).

- Lease deposit payments are not an allowable costs at the time of payment. If the total amount of the deposit is not refunded at the specified time noted in the lease, the amount of the deposit not refunded, and used for allowable costs, is allowable for cost-reporting purposes.
- Lease deposits made for remodeling or the purchase of replacement items/fixtures are not allowable costs at the time of payment. If the total amount of the deposit is not refunded at the specified time noted in the lease, the amount of deposit not refunded, and used for allowable remodeling and purchase of replacement items/fixtures, is allowable for reporting as repairs/maintenance or depreciation, whichever appropriate.
- Lease payments made for goodwill (see **Definitions**, Goodwill) are not allowable costs.

Rent / Lease – Departmental Equipment/Other

- Report the lease/rental costs of departmental equipment. Departmental equipment would include items such as telephone systems, pagers, facsimile (FAX) machines, photocopiers, and computers.
- If the rental/lease is from a Related-Party, do not enter directly here. The lease and related costs must be entered either in **Step 8.b.** if the departmental equipment is non-depreciable (items costing less than \$5,000 or with a useful life of less than one year) or **Step 8.e.** if the departmental equipment is depreciable (items with a cost of \$5,000 or more and a useful life of more than one year).

Interest – Mortgage

- See 1 TAC Section 355.103(b)(11). Reasonable and necessary interest on current and capital indebtedness is an allowable cost.
- Report the interest expense accrued during the reporting period from the purchase of a facility (i.e., mortgage interest) in this item. If the provider is a nonprofit entity and issued bonds for the purchase of the facility, report the bond issuance costs in this item.
- If a Related-Party funded the loan, do not enter directly here. Enter through **Step 8.c.**
- Late payment fees and penalties are unallowable costs.

- Interest on vehicle loans should be reported in Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other below.
- Interest on working capital loans, departmental equipment loans, loans for the purchase of building improvements, building renovations, and building equipment and other operational notes should be reported in Interest – Working Capital Loans below.

Insurance – Building and Equipment

- Costs for insurance premiums for buildings, contents, and grounds must be reported with amounts accrued for premiums, modifiers, and surcharges and net of any refunds and discounts received or settlements paid during the same cost-reporting period (i.e., the premiums are accrued and related expenses are reported on a cash basis).
- As per 1 TAC Section 355.103(b)(13)(B), “Self-insurance is a means whereby a contracted provider undertakes the risk to protect itself against anticipated liabilities by providing funds in an amount equivalent to liquidating those liabilities. Self-insurance can also be described as uninsured”. See 1 TAC Section 355.103(b)(13)(B) for additional requirements.
- “Contributions to self-insurance funds or reserves which do not represent payments based on current liabilities are not considered actual incurred expenses and are not allowable costs” (1 TAC Section 355.103[b][13][B][i]). The amount of allowable insurance costs may also be subject to a cost ceiling. See also 1 TAC Section 355.103(b)(13)(E) and [Appendix E](#).

Taxes – Ad Valorem Real Estate

- See 1 TAC Section 355.103(b)(12). Report in this item the cost of ad valorem real estate taxes related to Program Administration and/or Central Office buildings.
- Tax expenses must be reported on an accrual basis for the cost-reporting period only. If a tax statement covers any period of time outside the cost-reporting period, the cost must be prorated so that the amount reported on the cost report represents only the cost-reporting period.
 - ▶ Texas corporate franchise taxes are reported in Taxes – Texas Corporate Franchise Tax below.

- ▶ Personal property taxes and other operational taxes are reported in Taxes – Other below.

Utilities & Telecommunications

- Biohazard Waste
- Electricity, Gas, Water, Wastewater, Garbage. See 1 TAC Section 355.103(b)(8). For utility costs to be allowable on the Cost Report, the utilities must be used directly or indirectly in the provision of contracted services. Report the costs associated with buildings in the appropriate area.
- Telecommunications utility costs associated with the contracts included in the Cost Report Group are reported here. Telecommunications refers to the cost of internet service, telephone, pager, and facsimile service only and not the cost of purchasing, leasing, or maintaining the associated equipment.

Building/Equipment – Contracted Services and Maintenance and Repairs

- Report expenses for contract services relating to building/grounds repairs and maintenance (including contracted janitorial services, contracted fire alarm inspections, and contracted lawn services) here. See 1 TAC Section 355.103(b)(10)(B).
- Report maintenance supplies related to facility maintenance and non-depreciable repairs and maintenance costs associated with buildings, building equipment, and grounds in this item. See 1 TAC Section 355.103(b)(9)(A-B) for more information.
- **Maintenance and Repairs** – Report the applicable amount of building and equipment maintenance and repair expenses related to the SSCC contract. For cost-reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs.
 - ▶ **“Ordinary repairs and maintenance** are defined as outlays for parts, labor, and related supplies that are necessary to keep an asset in operating condition, but neither add materially to the use value of the asset nor prolong its life appreciably” (1 TAC Section 355.103[b][9][A]).
 - ◇ “Ordinary repairs include but are not limited to, painting, wallpapering, copy machine repair, [or] repairing an electrical circuit” (1 TAC Section 355.103[b][9][A]).

- ▶ **“Extraordinary (major repairs)”** “involve relatively large expenditures, are not normally recurring, and usually, increase the use value (efficiency and use utility) or the service life of an asset beyond what it was before the repair” (1 TAC Section 355.103[b][9][B]).
 - ◇ “Extraordinary repairs include but are not limited to,...major improvements in a building’s electrical system, carpeting an entire building, replacement of a roof, or strengthening the foundation of a building” (1 TAC Section 355.103[b][9][B]).
 - ◇ Extraordinary repairs that cost \$2,500 or more and have a useful life of over one year may not be reported directly in this item. They must be capitalized and depreciated by reporting in Step 8.e. (1 TAC Section 355.103[b][9][B]).

Depreciation – Building & Improvements, Building Fixed Equipment, Leasehold Improvements, Land Improvements, Other Amortization

- Enter all buildings, building improvements, building fixed equipment, leasehold improvements, land improvements, and amortizable items with a cost of \$5,000 or more and a useful life of more than one year in **Step 8.e.** The calculated depreciation will be transferred here.

Depreciation – Departmental Equipment

- Enter all departmental equipment with a cost of \$5,000 or more and a useful life of more than one year in **Step 8.e.** The calculated depreciation will be transferred here.

Other Non-Depreciable Equipment and Operations Supplies

- For all items of cost, report only net expenses, meaning gross expenses less any purchase discounts, rebates, returns, or allowances.
- **Hepatitis B vaccinations, TB tests, Chest X-rays, Drug Tests, and Physicals** – Report under either Program Administration or Central Office (when a properly allocated cost of the Central Office) supplies used to administer Hepatitis B vaccinations to provider staff, as well as costs related to tuberculosis (TB) tests, chest x-rays, drug tests, and physicals.
- **Non-depreciable Equipment** – Report items that cost less than \$5,000 or have a useful life of less than one year as supplies. Report here such non-depreciable equipment used for services (i.e., nursing, medical records, staff

training, and central supply) and for program administration, as well as the allocated portion of central office supplies.

- ▶ Small equipment that costs \$5,000 or more and has a useful life of more than one year is considered Departmental Equipment and should be entered as such in **Step 8.e.**
- ▶ Non-depreciable equipment purchased or leased from a Related-Party may not be reported here directly. Enter in **Step 8.b.** and the allowable costs will be transferred here.
- Employee benefits not subject to payroll taxes, such as uniforms or non-wage incentives may be reported here in the appropriate cost area. Employee relations costs are limited to a ceiling of \$50 per employee eligible to participate per year. See 1 TAC Section 355.103(b)(20)(A) for more information.
- **Supplies, Nursing and Medical** – Report here supplies including, but not limited to, tongue depressors, swabs, Band-Aids, cotton balls, alcohol, and nursing reference books. Report nursing forms and medical records supplies in this item.
 - ▶ Supplies that are chargeable to Medicare or sources other than the 24RCC program are not to be included on this item.
- **Supplies, Office** – Report office supplies in each setting as appropriate.
- **Supplies, Operational** – include non-depreciable equipment required to maintain and repair departmental equipment, garbage cans/bags, and cleaning supplies used to keep operational areas clean.

Depreciation – Transportation Equipment

- Enter all transportation equipment with a cost of \$5,000 or more and a useful life of more than one year in **Step 8.e.** The calculated depreciation will be transferred here. The depreciation amount for Luxury Vehicles is \$49,218.18 for calendar year 2022 and \$50,202.54 for calendar year 2023.

Rent/Lease – Transportation Equipment or Contracted Transportation Services

- Report transportation equipment lease/rental costs in this item.
- **Non-related-party rental or lease** that is not a capital lease is reported here. All related-party rentals and leases and all capital leases, whether

Related-Party or not, for transportation equipment that costs \$5,000 or more and has a useful life of more than one year must be reported through **Step 8.e.**

- **Non-depreciable transportation equipment** (costing less than \$5,000 or with a useful life of less than one year) rented or leased from a Related-Party, must be reported through **Step 8.b.**
- **Contracted Transportation Services** – this may be a contract with a local taxi company to transport individuals, monthly passes for individuals on the bus system, or other contracts to provide transportation of individuals.

Transportation – Maintenance, Repairs, Gas, Oil, Interest, Insurance, Taxes, Other

- Report transportation expenses related only to the delivery of services. If a vehicle is used for personal and business use, vehicle logs must be maintained to document and remove expenses related to personal use.
- Grants and contracts from the federal, state, or local governments, such as transportation grants or Housing and Urban Development Grants, should be offset before reporting on the cost report against the cost or group of costs for which the grant was intended. For example, if a grant were received from the Texas Department of Transportation (TX DOT) to assist in purchasing a van, the amount of the grant would be deducted from the cost of the van, and only the remaining cost, if any, would be reported on the cost report as a depreciable asset.
- **Insurance, Vehicle** – Report the cost for insurance premiums or, in cases of self-insurance, allowable paid claims for vehicles. Report only the portion of the insurance expense directly related to the contracts included in the Cost Report Group. See Insurance – Building and Equipment above for details on the proper reporting of Insurance expenses.
- **Interest, Vehicle Loans** – Report the interest from loans for vehicles or repairs/maintenance of vehicles used in the program. If a related-party funded the loan, do not enter directly here. Enter through **Step 8.c.**
- **Property Tax, Vehicles** – Report any property tax paid on vehicles used in the program.
- **Maintenance, Repairs, Gas, and Oil** – Report the applicable amount of automobile expenses related to this program. Personal use of vehicles must

be documented and removed from the cost report. For cost-reporting purposes, repairs and maintenance expenses are categorized as ordinary or extraordinary repairs.

- ▶ “Ordinary [transportation equipment] repairs and maintenance are defined as outlays for parts, labor, and related supplies that are necessary to keep an asset in operating condition, but neither add materially to the use value of the asset nor prolong its life appreciably” (1 TAC Section 355.103[b][9][A]). Ordinary repairs include tune-ups, oil changes, cleaning, inspections, and replacement of parts due to normal wear and tear (such as tires, brakes, shocks, and exhaust components). Ordinary repairs may be expensed in the quarter the expense is accrued and reported directly in this item.
- ▶ “Extraordinary (major [vehicle] repairs) involve relatively large expenditures, are not normally recurring, and usually, increase the use value (efficiency and use utility) or the service life of an asset beyond what it was before the repair” (1 TAC Section 355.103[b][9][B]). Extraordinary repairs include such things as engine and transmission overhaul and replacement. Extraordinary repairs that cost \$2,500 or more and have a useful life of over one year may not be reported directly in this item. They must be capitalized and depreciated by reporting in Step 8.e. See 1 TAC Section 355.103(b)(9)(A-B) for more information.
- **Other Transportation Expenses** – Expenses such as license tags, parking fees, and tolls should be reported in this item. Parking fines or penalties are not allowable costs and should not be in this cost report. Provide an itemization of each category of expense and its associated dollar amount in the Notes section.

Staff Training/Seminars

- To be allowable, the training must be located in Texas (unless unavailable in Texas) and be related directly and primarily to the job performed by the staff person attending the training.
- For training conducted within the provider setting, allowable training costs include but are not limited to instructor and consultant fees, training supplies, and visual aids.
- For off-site training, allowable costs include allowable travel costs. See **Travel** below for more information. Included are registration fees, seminar

supplies, and classroom costs that meet the other criteria detailed in 1 TAC Section 355.103(b)(15).

- Training/Seminar costs incurred for Program Administration and Operations and Central Office staff are reported in their respective cost areas.
- Costs for training outside the continental United States are unallowable.

Insurance – Liability

- See 1 TAC Section 355.103(b)(13) for more information.
- Report the cost for insurance premiums for general liability and professional malpractice insurance paid to a nonrelated insurance company in this item, but only in Program Administration and Central Office as appropriate. Also, report the premiums paid to a risk retention group registered with the Texas Department of Insurance.
- Costs related to errors and omissions (liability) insurance for board members are allowable.
- Costs paid to a related-party insurance company for liability insurance will not be reported directly in this item. Report those costs through **Step 8.d**.
- Report the cost for paid claims, deductibles, and co-insurance for general liability and professional malpractice insurance. The cost of claims paid under a captive insurance arrangement must be reported here. If this arrangement is a self-insurance situation, see **Appendix E**.

Travel (not to include mileage reimbursement)

- For purposes of training, allowable travel must be within Texas (unless unavailable in Texas), be related directly and primarily to the job performed by the staff person attending the training, and meet the other criteria detailed in 1 TAC Section 355.103(b)(15).
- Other than mileage reimbursement, which is to be reported in **Step 6** with the costs for the various staff types, allowable travel for purposes other than training must be related directly to the job performed by the staff person.
 - ▶ Such travel must be within Texas except for travel for the purpose of delivering direct contracted client services within 25 miles of the Texas border with adjoining states or Mexico; or the purpose for the travel is to conduct business related to contracted client services in Texas and the travel is between Texas and the contracted provider's central office.

- The maximum lodging per diem and meals per diem costs is 150 percent of the [General Services Administration's \(GSA\) federal travel rates](#) to determine the maximum lodging and meals reimbursement rates.
- On this website, select the correct time from the Per Diem Rates, remembering that federal fiscal years begin in October and end in September.
 - ▶ For locations not specifically listed on the GSA website, the maximum allowable lodging, and meals per diem rates for cost-reporting purposes are based on the Standard rate (listed on the GSA website) multiplied by 1.5, plus any applicable city local/state taxes and energy surcharges.

Fees – Management Contract

- “Reasonable management fees paid to non-related parties are allowable costs” (1 TAC Sections 355.103[b][6][A]).
 - ▶ If the contracted provider has a management agreement with a nonrelated business entity to provide management services to the SSCC contract, report the fees incurred here and upload a copy of the management agreement signed by all interested parties.
 - ▶ If an expense is reported in this item, you must respond with “Yes” in Step 8.a. to the question, “Does the provider have any contracted management costs to report?”
- If the contracted manager was designated in Step 8.a. as a related party, do not enter those costs here.
 - ▶ Allowable management fees paid to related parties for administrative services are limited to the actual costs (e.g., staff, supplies, materials, allocated building costs, allocated departmental equipment costs) incurred by the related party manager for services provided. See 1 TAC Section 355.105(b)(2)(B)(xiii) for more information.
 - ▶ Related-party management costs must be reported as central office costs with no markup in the specific items related to the cost and must not be combined into one item.

Fees – Contracted Administrative, Professional, Consulting, and Training Services

- See 1 TAC Section 355.103(b)(3) for more information.

- Report contracted medical records services here.
- Report contracted administrative services, such as clerical temporaries, printing, copying, and courier delivery services here.
- Report the cost of contracted professional services, including allowable expenses related to accountants, attorneys, and data processing.
 - ▶ Accounting “fees for the preparation of income tax forms and returns are allowable costs” (1 TAC Sections 355.103[b][3]). However, income taxes are not allowable costs. See 1 TAC 355.105(b)(2)(B)(viii) for more information.
 - ▶ Professional service fees must be directly related to the activity of the provider only and directly or indirectly related to the provision of services included in the vendor payment.
- Legal, accounting, and other fees and “costs associated with litigation between a provider and a governmental entity are unallowable” costs (1 TAC Section 355.103[b][3][B]).
- Under 1 TAC Section 355.103(b)(20)(I), the costs of litigation that resulted in a court-ordered award of damages or settlements to be paid by the provider or that resulted in a criminal conviction of the provider are unallowable costs.
- Within the narrow range of circumstances where legal expenses are allowable on the Cost Report, adequate documentation must be maintained as described in 1 TAC Section 355.105(b)(2)(B)(viii). Expenses incurred because of imprudent business practices are unallowable.
- Report allowable expenses for workers’ compensation administrative and legal expenses here.
- Report allowable franchise fees here. Franchise fees differ from franchise taxes; see [Taxes – Texas Corporate Franchise Tax](#) below. Franchise fees that represent goodwill or other intangible services are not allowable. See 1 TAC Section 355.103(b)(20)(C) for more information.
- Report seminar/conference registration fees as training and seminar costs in Staff Training/Seminar above.
- Do not report these unallowable costs on this cost report: NSF (insufficient fund) charges and other penalties, fees paid to members of the provider’s board of directors, and administrative fines and penalties.

Licenses and Permits

- Include fees for licenses and permits and license fees paid on behalf of an employee (e.g., Administrator license).

Interest – Other (describe)

- See 1 TAC Sections 355.103(b)(11) and 355.105(b)(2)(B) for more information.
- Maintain adequate documentation and report the cost of interest paid on working capital loans (e.g., lines of credit). If a related party funded loan, do not enter here directly. Enter through **Step 8.c**.
- The interest expense reported in this item must be offset by any interest income. Only the remaining interest expense, if any, should be reported here.

Taxes – Texas Corporate Franchise Tax

- See 1 TAC Section 355.103(b)(12) for more information.
- Report the cost of Texas corporate franchise tax expenses for the cost-reporting period only. This item should not be blank if the provider is a corporate entity.
- If a tax statement includes any time outside the cost-reporting period, the cost must be prorated so the amount reported on the cost report represents only costs associated with the cost-reporting period.
- Franchise taxes differ from franchise fees; allowable franchise fees are reported in [Fees – Contracted Administrative, Professional, Consulting, and Training Services](#) above. Franchise taxes associated with states other than Texas are unallowable costs.

Taxes – Other (describe)

- See 1 TAC Section 355.103(b)(12) for more information.
- Report personal property taxes related to the contents of the Program Administration office building(s) and other operational taxes associated with the Program Administration office building(s) **only**.
- Unallowable taxes include federal, state, and local income taxes; excess profit or surplus revenue-based taxes; taxes levied on assets unrelated to

delivering contracted services in Texas; pass-through taxes, such as sales tax collected and remitted; and tax penalties and interest. Self-employment taxes are unallowable. Taxes for which an exemption is available are unallowable.

- Taxes in connection with financing, refinancing, or refunding operations, such as taxes on the issuance of bonds, property transfers, issuance or transfer of stocks are unallowable as a tax expense; however, such taxes are usually depreciated or amortized.
- Ad Valorem property taxes are reported in [Taxes – Ad Valorem Real Estate](#).
- Texas corporate franchise taxes are reported in [Taxes – Texas Corporate Franchise Tax](#).

Advertising

- See 1 TAC 355.103(b)(16) for a complete description of allowable and unallowable advertising and public relations expenses.
- Advertising expenses for recruitment of necessary personnel, yellow page listings no larger than one-eighth of a page, advertising to meet statutory or regulatory requirements, and advertising for the procurement of items related to contracted resident care are allowable.

Dues and Memberships

- Dues “for membership in professional associations directly and primarily concerned with the provision of services for which the provider is contracted” are allowable. (1 TAC Section 355.103[b][14][A]). Any portion of the cost for membership that is applied to lobbying or whose purpose is to fund lawsuits or any legal action against the state or federal government is not allowable.
- “Allowable dues for membership in purchasing organizations or buying clubs are limited to the pro-rata [or prorated] amount representing purchases made for use in providing contracted services” (1 TAC Section 355.103[b][14][C]).
- Subscriptions to newspapers, journals, and magazines whose content is primarily concerned with the provision of services for which the provider is contracted are allowable and should be reported in the cost area where the salaries of the employees using those subscriptions are reported (i.e. the appropriate program administration column and/or Central Office).

- “Dues or contributions made to any type of civic, political, social, fraternal, or charitable organization are unallowable. Chamber of Commerce dues are unallowable” (1 TAC Section 355.103[b][14][B]).
- See 1 TAC Section 355.103(b)(14) for more information.

Other (describe)

- Report here any costs that cannot be reasonably reported in any prior cost category.
- Costs related to boards of directors are unallowable, except for the following:
 - ▶ Travel costs incurred to attend meetings of the contracted provider's board of directors or trustees, within limits, (reported in *Travel* above); and
 - ▶ Errors and omissions (liability) insurance for board members (reported in *Insurance – Liability* above).

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

Step 8.g. Facility and Operations Costs Summary

8.g. Facility and Operations Costs Summary

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

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

Step 9. Preparer Verification Summary

Purpose

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

How Does HHSC PFD Use this Information?

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

How to complete Step 9

9. Preparer Verification Summary

Revenue Summary	
Total STAR-PLUS Revenue	
Total Child and Adult Food Care Program (CACFP) Revenue	
Total Private and Other Revenue	
TOTAL REVENUE	

Expense Summary	
Total Attendant Wages, Benefits and Mileage	
Total Non-Attendant Wages, Benefits and Mileage	
Total Administrative and Operations Wages, Benefits and Mileage (less Central Office)	
Total Payroll Taxes & Workers' Compensation (Not including Central Office)	
Total Facility and Operations Expenses (Not including Central Office)	
Total Central Office Expenses	
TOTAL REPORTED EXPENSES	

For more detailed information, click on the link to view the [Preparer Verification Detail](#)

I verify that the information entered is correct.

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

If you need assistance, please contact the RAD Customer Information Center at (512) 424-8637 or RAD-LTSS@hhsc.state.tx.us

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

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

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

Steps 10 and 11. Preparer Certification and Entity Contact Certification

Purpose

In accordance with 1 TAC Section 355.105(b)(3):

“Providers must certify the accuracy of cost reports submitted to HHSC. Providers may be liable for civil and/or criminal penalties if the cost report is not completed according to HHSC requirements or is determined to contain misrepresented or falsified information. Cost report preparers must certify that they read the cost determination process rules, the reimbursement methodology rules, the cost report cover letter, and cost report instructions, and that they understand that the cost report must be prepared in accordance with the cost determination process rules, the reimbursement methodology rules, and cost report instructions...A person with supervisory authority over the preparation of the cost report who reviewed the completed cost report may sign a certification page in addition to the actual preparer.”

How Does HHSC PFD Use this Information?

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

How to complete Steps 10 and 11

Certification pages cannot be printed for signing and notarizing until the report has been verified. If the report is reopened for any reason, any previously uploaded certifications will be invalid and must be completed again. If additional changes need to be made after the report is completed and locked, the preparer must contact CostInformationPFD@hhs.texas.gov to reopen the report(s).

These pages must be maintained in original form by the provider. If these pages are not properly completed, the cost report will not be processed until the provider uploads the completed pages. If the completed pages are not uploaded on time, the cost report will not be counted as received and may be returned. If a report is returned, it is unverified, and new certifications dated after the report has been reverified must be uploaded.

Preparer (Methodology) Certification

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

10. Preparer Certification

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

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

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

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

PREPARER IDENTIFICATION

Name of Contracted Provider:

Printed/Typed Name of Signer:

Title of Signer:

SIGNATURE OF PREPARER

DATE

Subscribed and sworn before me, a Notary public on the


_____ of _____, _____
Day Month Year

Notary Signature

Notary Public, State of

Commission Expires

10.a. Upload Preparer Certification

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


Upload Preparer Certification ... Select file or [upload new file](#)

Entity Contact Certification

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

Digital Signatures

According to 1 TAC Section 355.105(b)(4), preparers must certify the accuracy of cost reports submitted to HHSC PFD. This certification must "contain a signed, notarized, original certification page or an electronic equivalent where such equivalents are specifically allowed under HHSC PFD policies and procedures;"

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

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

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

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

You may follow this link for more information: <https://pfd.hhs.texas.gov/provider-finance-department-digital-signature-policy>

11. Entity Contact Certification

AS SIGNER OF THIS COST REPORT, I HEREBY CERTIFY THAT:	
<ul style="list-style-type: none"> • I have read the note below, the cover letter and all the instructions applicable to this cost report. • I have read the Cost Determination Process Rules (excluding 24-RCC), program rules, and reimbursement methodology applicable to this cost report, which define allowable and unallowable costs and provide guidance in proper cost reporting. • I have reviewed this cost report after its preparation. • To the best of my knowledge and belief, this cost report is true, correct and complete, and was prepared in accordance with the Cost Determination Process Rules (excluding 24 RCC), program rules, reimbursement methodology and all the instructions applicable to this cost report. • This cost report was prepared from the books and records of the contracted provider and/or its controlling entity. 	
<p>Note: This COST REPORT CERTIFICATION must be signed by the individual legally responsible for the conduct of the contracted provider, such as the Sole Proprietor, a Partner, a Corporate Officer, an Association Officer, or a Governmental Official. The administrator/director is authorized to sign only if he/she holds one of these positions. Misrepresentation or falsification of any information contained in this cost report may be punishable by fine and/or imprisonment.</p> <p>In accordance with Texas Administrative Code (TAC) Rule §355.105(d)(1)(A), an interested party legally responsible for conduct of the contracted provider may initiate an amendment no later than 60 days after the original due date. Provider-initiated amendment requests can be sent to: costinformation@hpsc.state.tx.us. Request received that is not signed by an individual legally responsible for the conduct of the contracted provider, or received after the 60th day, will not be accepted. Failure to submit the requested amendment to the cost report by the due date is considered a failure to complete a cost report as specified in the above referenced rule.</p> <p>The Cost Report Certification must be uploaded by the responsible party, using his/her own login information.</p>	

SIGNER IDENTIFICATION	
Name of Contracted Provider: <input type="text"/>	
Printed/Typed Name of Signer: <input type="text"/>	Title of Signer: <input type="text"/>
Name of Business Entity: <input type="text"/>	
Address of Signer (street or P.O. Box, city, state, 9-digit zip): <input type="text"/>	
Phone Number (including area code): <input type="text"/>	FAX Number (including area code): <input type="text"/>
Email: <input type="text"/>	

SIGNATURE OF SIGNER

DATE

Subscribed and sworn before me, a Notary public on the

____ of _____, _____
Day Month Year

Notary Signature

Notary Public, State of

Commission Expires

Step 12. Provider Adjustment Report

Purpose

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

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

How to complete Step 12

This step will not be visible until after the report has been reviewed and the provider is notified of adjustments to or exclusions of information initially submitted. Providers will be notified via email that their adjustment report is ready and have 30 days to review their adjustments. To review, click on Step 12 and review the adjustment report. Once you review Step 12, Step 13 will be available to agree or disagree with the adjustments. After 30 days, the report will be set to "Agreed by Default" status.

Review Period Expires: **February 04, 20XX**

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

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

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

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

General and Statistical

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

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

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

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

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

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

Summary Table

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

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

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

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

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

Recoupment Summary

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

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

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

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

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

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

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

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

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

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

Email

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

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

Review Period Expires: **February 04, 20XX**

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

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

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

 Return

Step 13. Agree/Disagree

Purpose

The purpose of Step 13 is for the provider to either agree, request a payment plan, or disagree with the adjustments after reviewing of the report.

How do we use this information?

HHSC PFD uses this information to start the informal review process or set the report to Complete.

13. Agree/Disagree

Please enter and verify the information below

[Return](#) [Save and Return](#)

Review Period Expires **June 17, 2022**

This Step, Step 13a (if disagreeing with the adjustments), and 13b (if agreeing with the adjustments and needing to do a payment plan), must be completed no later than the review period expiration date stated above by selecting "Agree", "Agree with Payment Plan" or "Disagree" below. It may only be completed by an individual legally responsible for the conduct of the contracted provider, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, or a limited liability company member. This individual must be designated in STARS with an "Entity Contact" or "Financial Contact" role.

The responsible individual should review Step 12 – Adjustment / Reconciliation / Settlement Report, to be aware of adjustments made to the report by the Texas Health and Human Services Commission (HHSC).

Failure to make a selection by the review period expiration date will result in being recorded as "agreed by default" and will be treated the same as if an individual legally responsible for the conduct of the contracted provider had selected "Agree" as described below.

Legally responsible person

First Name: Pam
Last Name: Mirra0222
Job Title: HHSC Admin Account
Entity Name: ZZZ RAD CPC
Email: Pamela.Mirra@hhsc.state.tx.us
Phone (123.456.7890): 123456789 Phone Extension:
Fax (123.456.7890): Fax Extension:

Mailing Address

Street 1 or P.O. Box: 999 test
Street 2:
City: Austin
State: TX
Zip (Plus 4 Optional): 79421

I Agree

By clicking "Agree" I agree with the items listed in the Step 12 – Adjustment / Reconciliation / Settlement Report and authorize the Texas Health and Human Services Commission (HHSC) to proceed with finalizing my cost report. I understand that once I have agreed I waive my right to dispute any items listed in the Step 12 report.

I Agree and Request a Payment Plan

By clicking "Agree and Request a Payment Plan" I agree with the items listed in the Step 12 – Adjustment / Reconciliation / Settlement Report and authorize the Texas Health and Human Services Commission (HHSC) to proceed with finalizing my cost report. I am requesting a payment plan for repayment of the monies owed. I understand that once I have agreed I waive my right to dispute any items listed in the Step 12 report. I also understand that clicking "Agree and Request a Payment Plan" constitutes a request for a payment plan only and does not signify approval of a payment plan by HHSC.

I Disagree

By clicking "Disagree" I acknowledge that I disagree with one or more of the items listed in the Step 12 – Adjustment / Reconciliation / Settlement Report and intend to dispute those items by requesting an informal review in accordance with Title 1 Texas Administrative Code (TAC) §365.110. After clicking the "Disagree" button, instructions will appear on the next screen detailing mandatory actions necessary to request an informal review. You must complete these mandatory actions prior to the review period expiration date of June 17, 2022. Failure to complete these actions will constitute a default and will result in agreement with the recoupment amount listed in Step 12.

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

company member. This individual must be designated in STAIRS with an "Entity Contact" or "Financial Contact" role.

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

Step 13a. I Agree and I Disagree

By choosing "I Agree," you are agreeing with the adjustments and finalizing the report. No further action is needed for this report.

13a. Disagree

Please enter and verify the information below.

[Return](#) [Save and Return](#)

Review Period Expires: **June 17, 2022**

If you disagree with an adjustment or adjustments made to the Report, you may request an informal review in accordance with Title 1 Texas Administrative Code (TAC) §355.110.

The information for the informal review must be uploaded into STAIRS by June 17, 2022 and must contain the following information:

- a concise statement of the specific actions or determinations in dispute;
- the recommended solution;
- any supporting documentation relevant to the dispute.

If the provider is disputing an adjustment, the request must:

- indicate which adjustment is in dispute;
- state what the provider believes to be the correct value; and
- contain any supporting documentation that supports these values.

Upload Informal Request for Review Form: Select file or upload new file

A request for an informal review that is not received by this deadline date will not be accepted. If you do not request an informal review by the deadline date you will not be able to request a formal appeal regarding these exclusions or adjustments.

Request Informal Review Extension: I am requesting a 15 calendar day extension of the 30 day deadline to submit an informal review request in accordance with 1 TAC §355.110(c)(1)(A) and as submitted no later than three days before the due date. The extension gives the requestor a total of 45 calendar days to file the informal review request. A request for informal review or extension request that is not received/uploaded by the stated deadline date will not be accepted.

Yes No [Verify Extension](#)

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

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

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

This is also the section where you can file for a 15-day Provider disagree extension for the Informal Review.

Step 13b. I Agree and Request a Payment Plan

13b. Agree with Payment Plan

Please enter and verify the information below

[Return](#) [Save and Return](#)

Review Period Expires: June 17, 2022

If your recoupment is greater than \$25,000 you may be eligible for a payment plan. Payment plans are not guaranteed and apply only to active contracts. If the contract terminates prior to the completion of the recoupment, any payment plan that

- If your recoupment is for a twelve-month period and is greater than \$25,000, you may request collection in 3 equal monthly payments.
- If your recoupment is for a twelve-month period and is greater than \$75,000, you may request collection in 6 equal monthly payments.

HHSC Provider Finance Department must receive your written request for a payment plan uploaded to STAIRS. A payment plan request must be received no later than the "Review Period Expires" date shown above and below. A payment plan request received by mail will not be accepted.

Requirements

The request letter must be:

- Printed on the contracted provider's letterhead.
- Payment plan type and length, if applicable.
- Signed by an individual legally responsible for the conduct of the contracted provider, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, or a limited liability company member

Finalized payment plan request uploaded below before the due date listed within this step.

Upload Formal Payment Plan Request Form: Select file or upload new file

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

Once you click on "I Agree and Request a Payment Plan" there will be an option for you to upload the payment plan request. The payment plan request must follow these requirements:

- Must be on the company letterhead.
- Details what is being requested (a payment plan)
- Includes the Cost Report Group number or Contract number of the report
- Includes the year and type of report (Cost Report 2023, for example)
- Is signed by:
 - ▶ "An individual legally responsible for the conduct of the interested party, such as the sole proprietor, a partner, a corporate officer, an association officer, a governmental official, a limited liability company member, a

person authorized by the applicable HHSC Enterprise or Texas Medicaid and Healthcare Partnership (TMHP) signature authority designation form for the interested party on file at the time of the request, or a legal representative for the interested party. The administrator or director of the facility or program is not authorized to sign the request unless the administrator or director holds one of these positions” (1 TAC Section 355.110[b][1][C]).

- ▶ Note that this person is the same person listed on HHSC Form 2031 and is not necessarily the entity contact in STAIRS.
- Meets the deadline, which is 30 days from the Provider Notification date.

Step 13c. Additional Information Requested

Step 13.c. will only appear if an informal review was requested and HHSC PFD staff is requesting more information. An e-mail will be sent from Fairbanks if additional information is requested. You will have 14 days to respond and upload additional information upon request.

13c. Additional Information Requested

 Please enter and verify the information below

Review Period Expires: June 17, 2022

A valid request must contain the following:

- A concise statement of specific actions or determinations made by HHSC since the initial certification of the report. Actions and determinations made by HHSC can be found in
- Recommended resolutions to the disputed actions or determinations.
- Supporting documentation for the recommended resolution requested during the informal review. Documentation includes:
 - A trial balance or allocation summary,
 - Payroll summary records,
 - Legal agreements,
 - State or federal awards,
 - Grant or obligation letters, or
 - Any other documentation that substantiates the requested adjustment.
- The request letter must be signed by an individual legally responsible for the conduct of the entity and submitted by the due date listed within STAIRS.

The reimbursement analyst assigned to your request may include additional information in the text box located within Step 13a.

If you have any questions about what is requested, please contact PFD by email at 'PFD-LTSS@hhs.texas.gov'.

Upload Additional Information: Select file or [upload new file](#)

Step 14. HHSC Informal Review

Purpose

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

How to complete Step 14

General and Statistical

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

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

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

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

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

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

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

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

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

Recoupment Summary

--

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

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

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

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

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

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

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

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

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

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

Email

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

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

 Return

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

List of Acronyms

Acronym	Full Name
24RCC	24-hour Residential Child Care
AHA	American Hospital Association
CACFP	Child and Adult Care Food Program
CEU	Continuing Education Units
CFC	Community First Choice
CLASS	Community Living Assistance & Support Services
CMA	Case Management Agency
CPA	Certified Public Accountant
CPC	CLASS and PHC cost report
CPE	Continuing Professional Education
CRRU	Cost Report Review Unit
CRT	Cognitive Rehabilitation Therapy
DAHS	Day Activity and Health Services
DBA	Doing Business As
DSA	Direct Service Agency
EA	Employment Assistance
FICA	Federal Insurance Contributions Act
FUTA	Federal Unemployment Tax Act
GAAP	Generally Accepted Accounting Principles
GAGAS	Generally Accepted Government Auditing Standards
GSA	General Services Administration
HAB	Habilitation
HCS	Home and Community-based Services
HHSC	Texas Health and Human Services Commission
HUD	The Department of Housing and Urban Development
ICF/IID	Intermediate Care Facility for Individuals with an Intellectual Disability or Related Condition
IHR	In-Home Respite
IRS	Internal Revenue Service
LLC	Limited Liability Company
LVN	Licensed Vocational Nurse
MDCP	Medically Dependent Children's Program
NF	Nursing Facility
NPI	National Provider Identifier
NSF	Non-Sufficient Funds
OHR	Out-of-Home Respite
OT	Occupational Therapy
PAS	Personal Assistant Services
PCS	Personal Care Services
PFD	Provider Finance Department

Acronym	Full Name
PHC	Primary Home Care
PRF	Provider Relief Funds
PT	Physical Therapy
QMB	Qualified Medicare Beneficiary
R&D	Research and Development
RC	Residential Care
RN	Registered Nurse
SE	Supported Employment
SPW	STAR+PLUS Waiver
ST	Speech/Language Therapy
STAIRS	State of Texas Automated Information Reporting System
SUTA	State Unemployment Tax Act
TAC	Texas Administrative Code
TB	Tuberculosis
TDPS	Texas Department of Public Safety
TMHP	Texas Medicaid and Healthcare Partnership
TX DOT	Texas Department of Transportation
TxHmL	Texas Home Living
USDA	U.S. Department of Agriculture
VFW	Veterans of Foreign War
WCI	Workers' Compensation Insurance

Appendix A. Uploading Documents into STAIRS

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

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

Appendix B. Allocation Methodologies

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

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

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

- Salaries/wages
- Contracted labor (excluding consultants)

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

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

Labor Costs: This allocation method can be used where all of a provider’s contracts are labor intensive, or all contracts have a programmatic or residential-building cost, or contracts are mixed with some being labor intensive and others having a programmatic-building or residential-building component. It is calculated based on

the ratio of directly charged labor costs for each contract to the total directly charged labor costs for all contracts. The Five Cost Components of the Labor Costs Allocation Method are:

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

Total Costs Less Facility Costs: The Total-Cost-Less-Facility-Cost allocation method can be used if a provider's contracts are mixed – some being labor-intensive and others having a programmatic or residential building component. This method can also be used for an organization that has multiple contracts all requiring a facility for service delivery. This method allocates costs based upon the ratio of each contract's total costs less that contract's facility or building costs to the provider's total costs less facility or building costs for all contracts.

If any of these allocation methods are used, the allocation summary must clearly show that all the cost components of the allocation method have been used in the allocation calculations. For example, when describing the numerator and denominator in numbers for the salary method, the numerator and denominator each should clearly show the amount of costs for salaries/wages and contracted labor (excluding consultants).

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

Functional: If the provider has any doubt whether the functional method used is following applicable rules or requires prior written approval from HHSC PFD, e-mail PFD-LTSS@hhs.texas.gov before submitting the cost report.

Time study: The time study must comply with 1 TAC Section 355.105(b)(2)(B)(i). If the time study is not in compliance with these rules, the provider must receive written approval from HHSC PFD to use the results of the time study. According to the rules, a time study must cover, at a minimum, one randomly selected week per

quarter throughout the reporting period. The allocation summary should include the dates and total hours covered by the time study, as well as a breakdown of the hours time-studied by function or business component, as applicable.

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

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

The example allocation methodologies illustrated in this Appendix are for general reference only. Reported line items of cost may vary from provider to provider.

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

Table 1. Appropriate Allocation Methods for Reporting.

Shared Administrative Costs that can not be reasonably direct costed.

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

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 reasonably reflect the provider's actual operations, the provider must use a

method that does. If none of the listed methods reasonably reflect the provider's actual operations, contact the LTSS Customer Information and Training Team at PFD-LTSS@hhs.texas.gov for further instructions.

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

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 reasonably reflect the provider's actual operations, the provider must use a method that does. If none of the listed methods reasonably reflects the provider's actual operations, contact PFD's Customer Service Center at PFD-LTSS@hhs.texas.gov for further instructions.

When using the total-cost-less-facility-cost allocation method, the building (facility) costs to be removed from the cost calculation include Lease/Rental of Building/Facility/Building Equipment; Insurance for those items; Utilities, Maintenance, and Contract Services of those items; Mortgage Interest; Ad Valorem Taxes; and Depreciation for Building/Facility/Building Equipment/Land/Leasehold Improvements.

Units of Service Allocation

Adjusted Trial Balance – (enter full provider name)

As of (enter begin and end dates)

Expenses	Total Costs	Disallowed	Direct Costs – Austin	Direct Costs – San Antonio	Shared Costs	Allocated Shared Costs – Austin (55.69%)	Allocated Shared Costs – San Antonio (44.31%)
Salaries – Admin	\$ 125,347.28				\$ 125,347.28	\$ 69,805.90	\$ 55,541.38
Salaries – Non-Admin A	\$ 45,288.47		\$ 25,361.54	\$ 19,926.93			
Salaries – Non-Admin B	\$ 33,254.88		\$ 25,458.97	\$ 7,795.91			
Salaries – Non-Admin C	\$ 82,588.92		\$ 51,205.13	\$ 31,383.79			
Contracted Admin	\$ 65,000.00				\$ 65,000.00	\$ 36,198.50	\$ 28,801.50
FICA/ Medicare	\$ 21,915.69		\$ 7,804.96	\$ 4,521.66	\$ 9,589.07	\$ 5,340.15	\$ 4,248.92
State & Federal Unemployment	\$ 5,156.63		\$ 1,270.51	\$ 554.46	\$ 3,331.66	\$ 1,855.40	\$ 1,476.26
Workers’ Compensation	\$ 0.00		\$ 0.00	\$ 0.00			
Employee Benefits/ Insurance	\$ 4,847.25		\$ 1,254.01	\$ 889.47	\$ 2,703.77	\$ 1,505.73	\$ 1,198.04
Office Lease	\$ 9,000.00		\$ 2,400.00	\$ 2,100.00	\$ 4,500.00	\$ 2,506.05	\$ 1,993.95
Utilities	\$ 8,945.67		\$ 2,385.51	\$ 2,087.32	\$ 4,472.84	\$ 2,490.92	\$ 1,981.91

Expenses	Total Costs	Disallowed	Direct Costs – Austin	Direct Costs – San Antonio	Shared Costs	Allocated Shared Costs – Austin (55.69%)	Allocated Shared Costs – San Antonio (44.31%)
Telecommunications	\$ 3,008.16		\$ 401.68	\$ 333.75	\$ 2,272.73	\$ 1,265.68	\$ 1,007.05
Office Supplies	\$ 1,501.80				\$ 1,501.80	\$ 836.35	\$ 665.45
Other Operations Supplies	\$ 874.64				\$ 874.64	\$ 487.09	\$ 387.55
Insurance – General Liability	\$ 1,254.00				\$ 1,254.00	\$ 698.35	\$ 555.65
Insurance – Malpractice	\$ 1,050.87				\$ 1,050.87	\$ 585.23	\$ 465.64
Travel	\$ 387.98	\$ 237.65	\$ 54.36	\$ 35.74	\$ 60.23	\$ 33.54	\$ 26.69
Advertising	\$ 402.87	\$ 104.97			\$ 297.90	\$ 165.90	\$ 132.00
Miscellaneous	\$ 601.47	\$ 254.74			\$ 346.73	\$ 193.09	\$ 153.64
Total	\$ 410,426.58	\$ 597.36	\$ 117,596.68	\$ 69,629.03	\$ 222,603.51	\$ 123,967.90	\$ 98,635.62

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

Cost-to-Cost Allocation

Adjusted Trial Balance – (enter full provider name)

As of (enter begin and end dates)

Expenses	Total Costs	Disallowed	Direct Costs – Austin	Direct Costs – Houston	Direct Costs – Dallas	Shared Costs	Allocated Shared Costs – Austin (41.48%)	Allocated Shared Costs – Houston (30.72%)	Allocated Shared Costs – Dallas (27.80%)
Salaries – Admin A	\$ 125,347.28					\$ 125,347.28	\$ 51,994.05	\$ 38,506.68	\$ 34,846.54
Salaries – Admin B	\$ 2,500.00					\$ 2,500.00	\$ 1,037.00	\$ 768.00	\$ 695.00
Salaries – Non-Admin A	\$ 87,434.22		\$87,434.22						
Salaries – Non-Admin B	\$ 65,238.41			\$ 65,238.41					
Salaries – Non-Admin C	\$ 54,975.15				\$ 54,975.15				
Salaries – Non-Admin D	\$ 249.85		\$ 249.85						
Salaries – Non-Admin Supervisors	\$ 33,254.88		\$13,528.48	\$ 9,467.85	\$ 10,258.55				
FICA/ Medicare	\$ 28,018.12		\$ 7,723.65	\$ 5,715.03	\$ 5,009.49	\$ 9,569.95	\$ 3,969.62	\$ 2,939.89	\$ 2,660.45
State & Federal Unemployment	\$ 6,592.50		\$ 2,524.07	\$ 1,494.13	\$ 978.51	\$ 1,595.79	\$ 661.93	\$ 490.23	\$ 443.63
Employee Benefits/ Insurance	\$ 4,847.25		\$ 1,254.01	\$ 889.47	\$ 1,358.41	\$ 1,345.36	\$ 558.06	\$ 413.29	\$ 374.01
Office Lease	\$ 9,000.00		\$ 2,400.00	\$ 2,100.00	\$ 2,500.00	\$ 2,000.00	\$ 829.60	\$ 614.40	\$ 556.00

Expenses	Total Costs	Disallowed	Direct Costs – Austin	Direct Costs – Houston	Direct Costs – Dallas	Shared Costs	Allocated Shared Costs – Austin (41.48%)	Allocated Shared Costs – Houston (30.72%)	Allocated Shared Costs – Dallas (27.80%)
Utilities	\$ 8,945.67		\$ 2,385.51	\$ 2,087.32	\$ 2,484.91	\$ 1,987.93	\$ 824.59	\$ 610.69	\$ 552.64
Telecommunications	\$ 3,008.16		\$ 401.68	\$ 333.75	\$ 554.37	\$ 1,718.36	\$ 712.78	\$ 527.88	\$ 477.70
Office Supplies	\$ 1,501.80					\$ 1,501.80	\$ 622.95	\$ 461.35	\$ 417.50
Other Operations Supplies	\$ 874.64				\$ 874.64				
Insurance – General Liability	\$ 1,254.00					\$ 1,254.00	\$ 520.16	\$ 385.23	\$ 348.61
Insurance – Malpractice	\$ 1,050.87					\$ 1,050.87	\$ 435.90	\$ 322.83	\$ 292.14
Travel	\$ 387.98	\$ 204.65	\$ 54.36	\$ 35.74	\$ 84.97	\$ 8.26	\$ 3.43	\$ 2.54	\$ 2.30
Advertising	\$ 402.87	\$ 104.97				\$ 297.90	\$ 123.57	\$ 91.51	\$ 82.82
Miscellaneous	\$ 601.47	\$ 254.74				\$ 346.73	\$ 143.82	\$ 106.52	\$ 96.39
Total	\$ 435,485.12	\$ 564.36	\$ 117,955.83	\$ 87,361.70	\$ 79,079.00	\$ 150,524.23	\$ 62,437.45	\$ 46,241.04	\$ 41,845.74

Cost-to-Cost Allocation Percentages	Total Costs	Percentage
Total Austin	\$ 117,955.83	41.48%
Total Houston	\$ 87,361.70	30.72%
Total Dallas	\$ 79,079.00	27.80%
Total	\$ 284,396.53	100.00%

Salaries Method Allocation

Adjusted Trial Balance – (enter full provider name)

As of (enter begin and end dates)

Expenses	Total Costs	Disallowed	Direct Costs – Austin	Direct Costs – Dallas	Direct Costs – San Antonio	Shared Costs	Allocated Shared Costs – Austin (22.87%)	Allocated Shared Costs – Dallas (50.59%)	Allocated Shared Costs – San Antonio (26.54%)
Salaries – Admin	\$ 125,347.28					\$ 125,347.28	\$ 28,666.92	\$ 63,413.19	\$ 33,267.17
Salaries – Non-Admin A	\$ 87,434.22		\$19,286.35	\$ 46,289.32	\$ 21,858.55				
Salaries – Non-Admin B	\$ 44,295.84		\$10,352.45	\$ 22,576.36	\$ 11,367.03				
Salaries – Non-Admin C	\$ 54,975.15		\$12,094.53	\$ 29,136.83	\$ 13,743.79				
Contracted Staff A	\$ 70,000.00		\$15,299.99	\$ 28,145.20	\$ 19,221.57	\$ 7,333.24	\$ 1,677.11	\$ 3,709.89	\$ 1,946.24
Contracted Staff B	\$ 2,400.00					\$ 2,400.00	\$ 548.88	\$ 1,214.16	\$ 636.96

Expenses	Total Costs	Disallowed	Direct Costs – Austin	Direct Costs – Dallas	Direct Costs – San Antonio	Shared Costs	Allocated Shared Costs – Austin (22.87%)	Allocated Shared Costs – Dallas (50.59%)	Allocated Shared Costs – San Antonio (26.54%)
FICA/ Medicare	\$ 28,018.12		\$ 7,723.65	\$ 5,715.03	\$ 5,009.49	\$ 9,569.95	\$ 2,188.65	\$ 4,841.44	\$ 2,539.86
State & Federal Unemployment	\$ 6,592.50		\$ 2524.07	\$ 1,494.13	\$ 978.51	\$ 1595.79	\$ 364.96	\$ 807.31	\$ 423.52
Employee Benefits/ Insurance	\$ 4,847.25		\$ 1,254.01	\$ 889.47	\$ 1,358.41	\$ 1,345.36	\$ 307.68	\$ 680.62	\$ 357.06
Office Lease	\$ 9,000.00		\$ 2,400.00	\$ 2,100.00	\$ 2,500.00	\$ 2,000.00	\$ 457.40	\$ 1,011.80	\$ 530.80
Utilities	\$ 8,945.67		\$ 2,385.51	\$ 2,087.32	\$ 2,484.91	\$ 1,987.93	\$ 454.64	\$ 1,005.69	\$ 527.60
Telecommunications	\$ 3,008.16		\$ 401.68	\$ 333.75	\$ 554.37	\$ 1,718.36	\$ 392.99	\$ 869.32	\$ 456.05
Office Supplies	\$ 1,501.80					\$ 1,501.80	\$ 343.46	\$ 759.76	\$ 398.58
Other Operations Supplies	\$ 874.64				\$ 487.39	\$ 387.25	\$ 88.56	\$ 195.91	\$ 102.78
Insurance – General Liability	\$ 1,254.00					\$ 1,254.00	\$ 286.79	\$ 634.40	\$ 332.81
Insurance – Malpractice	\$ 1,050.87					\$ 1,050.87	\$ 240.33	\$ 531.64	\$ 278.90

Expenses	Total Costs	Disallowed	Direct Costs – Austin	Direct Costs – Dallas	Direct Costs – San Antonio	Shared Costs	Allocated Shared Costs – Austin (22.87%)	Allocated Shared Costs – Dallas (50.59%)	Allocated Shared Costs – San Antonio (26.54%)
Travel	\$ 387.98	\$ 204.65	\$ 54.36	\$ 35.74	\$ 84.97	\$ 8.26	\$ 1.89	\$ 4.18	\$ 2.19
Advertising	\$ 402.87	\$ 104.97				\$ 297.90	\$ 68.13	\$ 150.71	\$ 79.06
Miscellaneous	\$ 601.47	\$ 254.74				\$ 346.73	\$ 79.30	\$ 175.41	\$ 92.02
Total	\$450,937.82	\$ 564.36	\$73,776.60	\$138,803.15	\$79,648.99	\$158,144.72	\$ 36,167.70	\$80,005.41	\$41,971.61

Salaries Method Allocation Percentages	Total Costs	Percentage
Total Austin	\$ 57,033.32	22.87%
Total Dallas	\$ 126,147.71	50.59%
Total San Antonio	\$ 66,190.94	26.54%
Total	\$ 249,371.97	100.00%

Labor Method Allocation

Adjusted Trial Balance – (enter full provider name)

As of (enter begin and end dates)

Expenses	Total Costs	Disallowed	Direct Costs – GRO	Direct Costs – ES	Direct Costs – MH	Shared Costs	Allocated Shared Costs – GRO (41.80%)	Allocated Shared Costs – ES (21.85%)	Allocated Shared Costs – MH (36.35%)
Salaries – Admin A	\$ 125,347.28					\$ 125,347.28	\$ 52,395.16	\$ 27,388.38	\$ 45,563.74
Salaries – Admin B	\$ 2,500.00					\$ 2,500.00	\$ 1,045.00	\$ 546.25	\$ 908.75
Salaries – Shared Role Admin and Non-Admin	\$ 195,028.62		\$87,434.22		\$ 65,200.22	\$ 42,394.18	\$ 17,720.77	\$ 9,263.13	\$ 15,410.28
Salaries – Non-Admin Supervisors	\$ 65,238.41			\$ 65,238.41					
Salaries – Non-Admin Director	\$ 54,975.15				\$ 54,975.15				
Salaries – Non-Admin A	\$ 33,254.88		\$13,528.48	\$ 9,467.85	\$ 10,258.55				

Expenses	Total Costs	Disallowed	Direct Costs – GRO	Direct Costs – ES	Direct Costs – MH	Shared Costs	Allocated Shared Costs – GRO (41.80%)	Allocated Shared Costs – ES (21.85%)	Allocated Shared Costs – MH (36.35%)
Salaries – Non-Admin B	\$ 45,572.08		\$45,572.08						
FICA/Medicare	\$ 28,018.12		\$ 8,073.41	\$ 5,715.03	\$ 4,990.38	\$ 9,239.30	\$ 3,862.03	\$ 2,018.79	\$ 3,358.49
State & Federal Unemployment	\$ 6,592.50		\$ 2,524.07	\$ 1,494.13	\$ 978.51	\$ 1,595.79	\$ 667.04	\$ 348.68	\$ 580.07
Employee Benefits/ Insurance	\$ 4,847.25		\$ 1,254.01	\$ 889.47	\$ 1,358.41	\$ 1,345.36	\$ 562.36	\$ 293.96	\$ 489.04
Workers Compensation	\$ 0.00								
Office Lease	\$ 9,000.00		\$ 2,400.00	\$ 2,100.00	\$ 2,500.00	\$ 2,000.00	\$ 836.00	\$ 437.00	\$ 727.00
Utilities	\$ 8,945.67		\$ 2,385.51	\$ 2,087.32	\$ 2,484.91	\$ 1,987.93	\$ 830.95	\$ 434.36	\$ 722.61
Telecommunications	\$ 3,008.16		\$ 401.68	\$ 333.75	\$ 554.37	\$ 1,718.36	\$ 718.27	\$ 375.46	\$ 624.62
Office Supplies	\$ 1,501.80					\$ 1,501.80	\$ 627.75	\$ 328.14	\$ 545.90
Other Operations Supplies	\$ 874.64				\$ 487.39	\$ 387.25	\$ 161.87	\$ 84.61	\$ 140.77

Expenses	Total Costs	Disallowed	Direct Costs – GRO	Direct Costs – ES	Direct Costs – MH	Shared Costs	Allocated Shared Costs – GRO (41.80%)	Allocated Shared Costs – ES (21.85%)	Allocated Shared Costs – MH (36.35%)
Insurance – Malpractice	\$ 1,050.87					\$ 1,050.87	\$ 439.26	\$ 229.62	\$ 381.99
Travel	\$ 387.98	\$ 204.65	\$ 54.36	\$ 35.74	\$ 84.97	\$ 8.26	\$ 3.45	\$ 1.80	\$ 3.00
Advertising	\$ 402.87	\$ 104.97				\$ 297.90	\$ 124.52	\$ 65.09	\$ 108.29
Miscellaneous	\$ 601.47	\$ 254.74				\$ 346.73	\$ 144.93	\$ 75.76	\$ 126.04
Total	\$587,147.75	\$ 564.36	\$163,627.82	\$87,361.70	\$143,872.86	\$191,721.01	\$ 80,139.38	\$41,891.04	\$ 69,690.59

Labor Method Allocation Percentages	Total Costs	Percentage
GRO	\$ 158,386.27	41.80%
ES	\$ 82,804.89	21.58%
MH	\$ 137,761.22	36.35%
Total	\$ 378,952.38	100.00%

Total Costs, Less Facility Costs Allocation

Adjusted Trial Balance – (enter full provider name)

As of (enter begin and end dates)

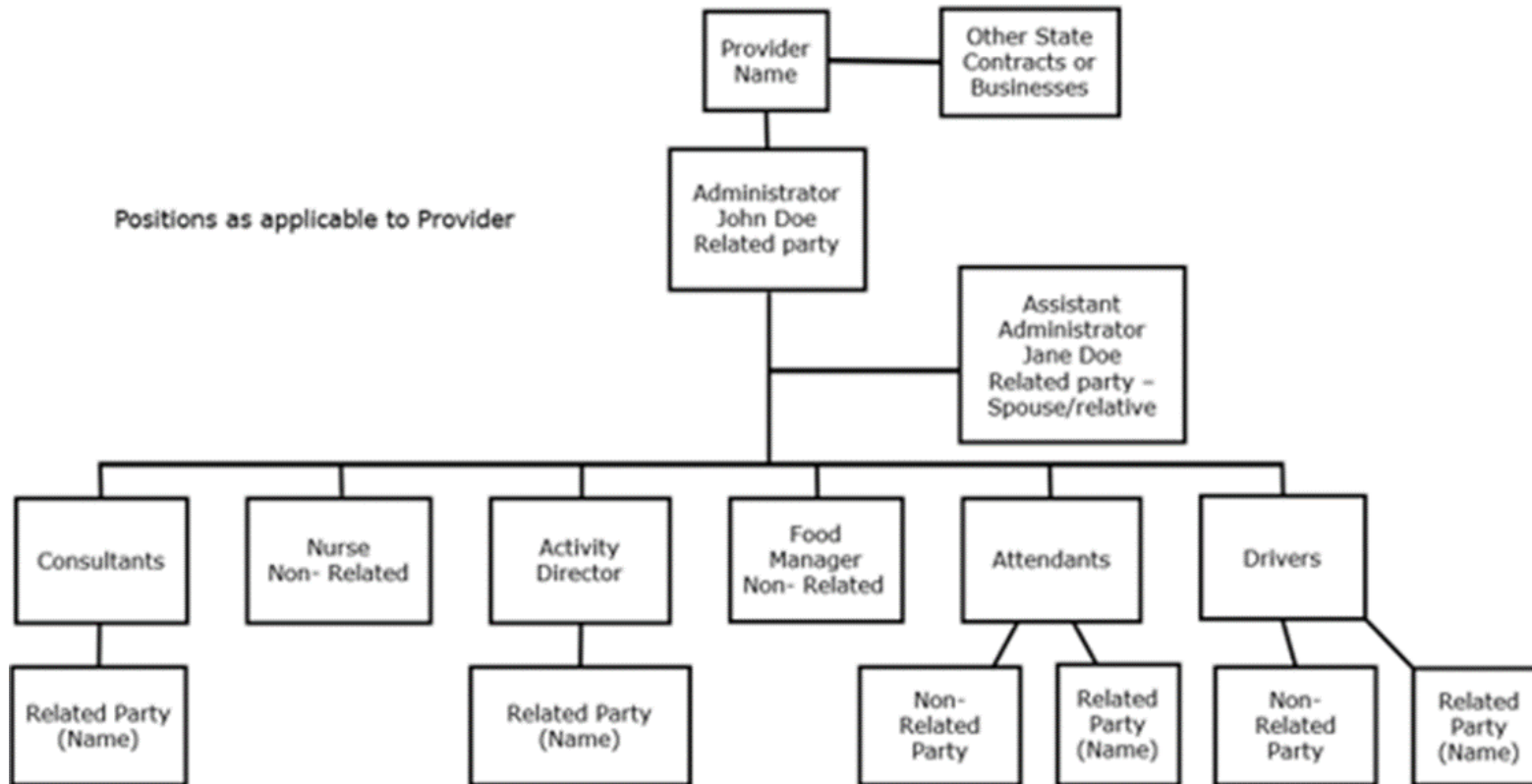
Expenses	Total Costs	Disallowed	Direct Costs – CPA	Direct Costs – SSCC	Shared Costs	Allocated Shared Costs – CPA (57.22%)	Allocated Shared Costs – SSCC (42.78%)
Salaries – Admin	\$ 125,347.28				\$ 125,347.28	\$ 71,723.71	\$ 53,623.57
Salaries – Non-Admin A	\$ 87,434.22		\$ 87,434.22				
Salaries – Non-Admin B	\$ 33,254.88			\$ 33,254.88			
Salaries – Non-Admin C	\$ 25,492.12			\$ 25,492.12			
Contracted Staff	\$ 9,482.66			\$ 9,482.66			
FICA/ Medicare	\$ 18,821.78		\$ 8,843.84	\$ 5,219.57	\$ 4,758.37	\$ 2,722.74	\$ 2,035.63
State & Federal Unemployment	\$ 4,428.65		\$ 2,822.33	\$ 665.10	\$ 941.23	\$ 538.57	\$ 402.66
Employee Benefits/ Insurance	\$ 4,847.25		\$ 1,254.01	\$ 889.47	\$ 2,703.77	\$ 1,547.10	\$ 1,156.67
Office Lease	\$ 9,000.00		\$ 2,400.00	\$ 2,100.00	\$ 4,500.00	\$ 2,574.90	\$ 1,925.10

Expenses	Total Costs	Disallowed	Direct Costs – CPA	Direct Costs – SSCC	Shared Costs	Allocated Shared Costs – CPA (57.22%)	Allocated Shared Costs – SSCC (42.78%)
Utilities	\$ 8,945.67		\$ 2,385.51	\$ 2,087.32	\$ 4,472.84	\$ 2,559.36	\$ 1,913.48
Ad Valorem Taxes	\$ 3,256.88		\$ 842.64	\$ 1,834.64	\$ 579.60	\$ 331.65	\$ 247.95
Maintenance & Repairs	\$ 1,846.74		\$ 246.25	\$ 1,041.67	\$ 558.82	\$ 319.76	\$ 239.06
Telecommunications	\$ 3,008.16		\$ 401.68	\$ 333.75	\$ 2,272.73	\$ 1,300.46	\$ 972.27
Office Supplies	\$ 1,501.80				\$ 1,501.80	\$ 859.33	\$ 642.47
Other Operations Supplies	\$ 874.64				\$ 874.64	\$ 500.47	\$ 374.17
Insurance – General Liability	\$ 1,254.00				\$ 1,254.00	\$ 717.54	\$ 536.46
Insurance – Malpractice	\$ 1,050.87				\$ 1,050.87	\$ 601.31	\$ 449.56
Travel	\$ 387.98	\$ 237.65	\$ 54.36	\$ 35.74	\$ 60.23	\$ 34.46	\$ 25.77
Advertising	\$ 402.87	\$ 104.97			\$ 297.90	\$ 170.46	\$ 127.44
Miscellaneous	\$ 601.47	\$ 254.74			\$ 346.73	\$ 198.40	\$ 148.33
Total	\$ 341,239.93	\$ 597.36	\$ 106,684.84	\$ 82,436.92	\$ 151,520.81	\$ 86,700.21	\$ 64,820.60

Allocation Percentages	Total Costs	Facility Costs	Total Costs, Less Facility Costs	Percentage
CPA	\$ 106,684.84	\$ 5,874.40	\$ 100,810.44	57.22%
SSCC	\$ 82,436.92	\$ 7,063.63	\$ 75,373.29	42.78%
Total	\$ 189,121.76	\$ 12,938.03	\$ 176,183.73	100.00%

Appendix C. Organizational Flowchart Example

Organizational Chart for (Provider Name) (Current as of...)



Appendix D. List of Useful Lives for Depreciation

STAIRS will assign useful lives based on data input in **Step 8.e**. The following minimum depreciation schedules are discussed in 1 TAC Section 355.103(b)(10):

Minimum Depreciation Schedule

Asset	Depreciation Schedule (Years)
Buildings	30
Building Additions	30
Cars and Minivans	3
Light Trucks and Vans	5
Buses	7

Below is an abbreviated list of some useful lives as stated in the AHA's 2018 guide. Refer to the AHA publication for items not listed. The 2018 guide is effective for depreciable assets placed in service during the 2018 and subsequent fiscal years. Depreciable assets placed in service before the 2018 fiscal year should follow the guide in effect at the time.

Depreciation Schedule

Asset	Depreciation Schedule (Years)
Air Conditioning System - 5 tons or more	10
Air Conditioning System - Less than 5 tons	5
Apnea Monitor	7
Bath - Whirlpool	10
Bed - Flotation Therapy	10
Bed - Electric	12
Bed - Manual	15
Beeper - Pager	5
Bench - Metal or Wood	15
Bookcase - Metal or Wood	20
Breathing Unit - Positive-Pressure	8

Asset	Depreciation Schedule (Years)
Cabinet - Metal or Wood	15
Camera	5
Cart	10
Chair - Folding	10
Chair - Guest	15
Chair - Shower/Bath	10
Chart Rack	20
Computer - Laptop	3
Computer - Personal	3
Computer - Printer	5
Computer - Software	3
Cooler - walk-in	15
Curtains and Drapes	5
Desk - Metal or Wood	20
Dishwasher	10
Dresser	15
Dryer - Clothes	10
Emergency Generator Set	20
Fax Machine	3
Fencing - Brick or Stone	25
Fencing - Chain-Link	15
Fencing - Wood	8
Files - Regular	15
Flooring - Carpet	5
Flooring - Ceramic	20
Flooring - Vinyl	10
Food Service Furniture	15
Guard Rails	15
Housekeeping Furniture	15
Intercom System	10
Landscaping	10

Asset	Depreciation Schedule (Years)
Lawn and Patio Furniture	10
Nurse Call System	10
Nurses' Counter - Built-In	15
Nursing Service Furniture	15
Oxygen Tank, Motor, and Truck	8
Parking Lot Striping	2
Paving - Asphalt	8
Paving - Concrete	15
Photocopier - Large	5
Photocopier - Small	3
Pump - Infusion	10
Railings - Handrails (interior)	15
Refrigerator - Commercial	10
Scale - Clinical	10
Shrubs and Lawns	5
Sofa	12
Table - Food Prep	15
Table - Overbed	15
Table - Wood	15
Telephone System	10
Television Monitor	5
Ventilator - Respiratory	10
Video Translation System	5
Washing Machine - Linen, Large	15
Wheelchair	5
Work Station	10

Appendix E. Self-Insurance

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

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

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

Cost Ceilings

For employee-related self-insurance (health, dental, workers' comp, etc.), the ceilings are either:

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

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

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

For the initial reporting period:

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

For subsequent reporting periods:

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

Documentation Requirements

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

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

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

Allocation methodology for self-insurance

Per 1 TAC Section 355.102(j)(4)(D), providers choosing to allocate allowable employee-related self-insurance paid claims in accordance with 1 TAC Section 355.103(b)(13)(B)(ii) should base the allocation on percentage of salaries of employees benefiting from the coverage for fully self-insured situations or on percentage of premiums of covered employees for partially self-insured situations since purchased premiums must be directly charged.

The allocation methodology for self-insurance must adhere to this TAC requirement.

Additionally, 1 TAC Section 355.102(j)(1)(D) requires that:

Providers must use an allocation method approved or required by HHSC. Any change in cost-reporting allocation methods from one year to the next must be fully disclosed by the contracted provider on its cost report and must be accompanied by a written explanation of the reasons and justification for such change.

Should the provider wish to change the allocation methodology, it must adhere to this TAC requirement. Please make sure to provide an explanation with the provider's cost report related to any allocation methodology change.

Appendix F. Importing Data into STAIRS

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

All instructions for importing depreciable assets are found in a Word document at the bottom left of every page in STAIRS. The document is titled "How to Import Depreciable Assets Instructions."

Appendix H. Definitions

24RCC Cost Report – A single cost report that will collect cost data for the 24RCC program.

Accrual Accounting Method – A method of accounting in which revenues are recorded in the period in which they are earned, and expenses are recorded in the period in which they are incurred. **If a facility operates on a cash basis, it will be necessary to convert from cash to an accrual basis for cost-reporting purposes.** Care must be taken to ensure that a proper cutoff of accounts receivable and accounts payable occurred at the beginning and end of the reporting period. Amounts earned but not received and amounts owed to employees and creditors but not paid should be included in the reporting period in which they were earned or incurred. Allowable expenses properly accrued during the cost-reporting period must be paid within 180 days after the fiscal year-end to remain allowable for cost-reporting purposes unless the provider is under bankruptcy protection and has obtained a written waiver from HHSC from the 180-day rule under 1 TAC Section 355.105(b)(1). If accrued expenses are not paid within 180 days after the fiscal year-end, and HHSC has not approved a written exception to the 180-day rule, the cost is unallowable and should not be reported on the cost report. If the provider's cost report is submitted before the end of the 180 days, and the provider later determines that some accrued costs have not been paid within the required 180-day period, the preparer should submit a revised cost report with the unpaid accrued costs removed. See 1 TAC Section 355.105(b)(1) for more information.

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

Allocation - A method of distributing costs on a pro-rata basis. For more information, see Cost Allocation Methods section and the 2023 Cost Report Training materials. Refer to 1 TAC Section 355.102(j).

Allowable and Unallowable Costs - In accordance with 1 TAC Section 355.102(a):

“Allowable and unallowable costs, both direct and indirect, are defined to identify expenses that are reasonable and necessary to provide contracted client care and are consistent with federal and state laws and regulations.”

In accordance with 1 TAC Section 355.102(f)(1), an allowable cost must be **reasonable**:

“Reasonable” refers to the amount expended. The test of reasonableness includes the expectation that the provider seeks to minimize costs and that the amount expended does not exceed what a prudent and cost-conscious buyer pays for a given item or service. In determining the reasonableness of a given cost, the following are considered:

(A) the restraints or requirements imposed by arm's-length bargaining, i.e., transactions with nonowners or other unrelated parties, federal and state laws and regulations, and contract terms and specifications; and

(B) The action that a prudent person would take in similar circumstances, considering his responsibilities to the public, the government, his employees, clients, shareholders, and members, and the fulfillment of the purpose for which the business was organized.”

Beyond the cost’s reasonability, an allowable cost must also be **necessary**. In accordance with 1 TAC Section 355.102(f)(2):

“Necessary” refers to the relationship of the cost, direct or indirect, incurred by a provider to the provision of contracted client care. Necessary costs are direct and indirect costs that are appropriate in developing and maintaining the required standard of operation for providing client care in accordance with the contract and state and federal regulations. In addition, to qualify as a necessary expense, a direct or indirect cost must meet all of the following requirements:

(A) The expenditure was not for personal or other activities not directly or indirectly related to the provision of contracted services;

(B) The cost does not appear as a specific unallowable cost in 1 TAC section 355.103;

(C) If a direct cost, it bears a significant relationship to contracted client care. To qualify as significant, the elimination of the expenditure would have an adverse impact on client health, safety, or general well-being;

(D) The direct or indirect expense was incurred in the purchase of materials, supplies, or services provided to clients or staff in the normal conduct of operations to provide contracted client care;

(E) The direct or indirect costs are not allocable to or included as a cost of any other program in either the current, a prior, or a future cost-reporting period;

(F) The costs are net of all applicable credits;

(G) Allocated costs of each program are adequately substantiated; and

(H) The costs are not prohibited under other pertinent federal, state, or local laws or regulations.”

Unallowable costs are costs that are neither reasonable nor necessary and should not be reported on the cost report per 1 TAC Section 355.102(g). Providers may incur these costs, but these costs cannot be considered as part of HHSC’s rate determination processes. **Amortization** - The periodic reduction of the value of an intangible asset over its useful life or the recovery of the intangible asset's cost over the useful life of the asset. This may include amortization of deferred financing charges on the financing or refinancing of the purchase of the building, building improvements, building fixed equipment, leasehold improvements, and/or land improvements. The amortization of goodwill is an unallowable cost. The amortization of the purchase price of a 24RCC contract itself (as opposed to the purchase price of the physical facility) is an unallowable cost. For additional information, see instructions for **Step 8.e**. Refer to 1 TAC Section 355.103(b)(10).

Bad Debt - Unrecoverable revenues due to uncollectible accounts receivable. Bad debts are not reported on the cost report. Refer to 1 TAC Section 355.103(b)(20)(M).

Bed Hold - A reservation for a client to stay in a care facility. One day of such a reservation equates to a Bed Hold Day.

Building (Facility) Costs - Costs to be reported as Facility Costs. When allocating shared administrative costs (central office costs) based upon the total-cost-less-

facility-cost allocation method, the building (facility) costs to be removed from the cost calculation include Lease/Rental of Building/Facility/Building Equipment; Insurance for those items; Utilities, Maintenance and Contract Services of those items; Mortgage Interest; Ad Valorem Taxes; and Depreciation for Building/Facility/Building Equipment/Land/Leasehold Improvements. Building costs must exclude any goodwill (see definition for Goodwill).

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

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

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

more than one business component. See also the Instructions for Central Office. Refer to 1 TAC Section 355.103(b)(7).

Chain - Contracted entities/business components/service delivery programs that have a common owner or sole member or are managed by a related-party management company are considered a chain. A chain may also include business organizations that are engaged in activities other than the provision of the 24RCC program services in the state of Texas. This means that the business components could:

- Be located within or outside of Texas;
- Provide services other than the 24RCC services covered by this cost report, and
- Provide services that may or may not be delivered through contracts with the state of Texas.

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

Common Ownership - This exists when an individual or individuals possess any ownership or equity in the contracted provider and the institution or organization serving the contracted provider. If a business entity provides goods or services to the provider and also has common ownership with the provider, the business transactions between the two organizations are considered related-party transactions and must be properly disclosed. Administrative costs shared between entities that have common ownership must be properly allocated and reported as central office costs (i.e., shared administrative costs). See the definition for Related-Party. Refer to 1 TAC Sections 355.102(i)(1) and (2).

Compensation of Employees - Compensation includes both cash and non-cash forms of compensation subject to federal payroll tax regulations. Compensation includes wages and salaries (including bonuses); payroll taxes and insurance; and benefits. Payroll taxes and insurance include Federal Insurance Contributions Act (old age, survivors, and disability insurance (OASDI) and Medicare hospital insurance); Unemployment Compensation Insurance; and Workers' Compensation Insurance. Refer to 1 TAC Section 355.103(b)(1).

Compensation of Owners and Related Parties – As per 1 TAC Section 355.103(b)(2):

“Compensation includes both cash and non-cash forms of compensation subject to federal payroll tax regulations. Compensation includes withdrawals from an owner’s capital account; wages and salaries (including bonuses); payroll taxes and insurance; and benefits. Payroll taxes and insurance include Federal Insurance Contributions Act (old age, survivors, and disability insurance (OASDI) and Medicare hospital insurance); Unemployment Compensation Insurance; and Workers’ Compensation Insurance.”

Compensation must be:

- Made in regular periodic payments,
- Subject to payroll or self-employment taxes, and

Verifiable by adequate documentation maintained by the contracted provider.

Component Code - Specific to IID programs, this is a three-digit code assigned by the HHSC CARE system that is specific to one contracted provider. It may cover one or multiple contracts held by that provider. This code is added to the end of a string that reads “0000H0xxx” for HCS and TxHmL and “0000I0xxx” for ICF/IID to identify the provider in certain HHSC PFD communications.

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

Contract Management - See definition for Management Services

Contracted Provider See definition for Provider

Contracted Staff - See definition for Contract Labor

Contracting Entity - The business component with which a provider contracts for the provision of the 24RCC services included in this cost report. See Instructions for **Step 4**.

Control – “Exists if an individual or an organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution” (1 TAC Sections 355.102[i][1]). As per 1 TAC Section 355.102(i)(3):

Control includes any kind of control, whether or not it is legally enforceable and however it is exercised. It is the reality of the control which is decisive, not its form or the mode of its exercise...Organizations, whether proprietary or nonprofit, are related through control to their directors in common.

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

Cost Report Group Code - The number used to identify an individual cost report. HHSC PFD will group one or more CLASS CMA, CLASS DSA, and PHC contracts for each legal entity into a 24RCC Cost Report(s) depending on rate enhancement participation level (if applicable), cost reporting period, and other factors and will assign the Cost Report Group Code. The Cost Report Group Code for IID providers will be the component code.

Depreciation Expense - The periodic reduction of the value of an asset over its useful life or the recovery of the asset's cost over the useful life of the asset. For additional information, see Instructions for **Step 8.e**. Refer to 1 TAC Section 355.103(b)(10).

Direct Care - Care provided by provider personnel (i.e., Houseparents/Child Care Staff, RNs, LVNs and Therapists) to directly carry out the individual plan of care.

Direct Cost - An allowable expense incurred by the provider specifically designed to provide services for this program. If a general ledger account contains costs (including expenses paid with federal funds) attributable to more than one program, the individual entries to that general ledger account that can be specifically "charged" to a program should be charged to that program (i.e., direct costed or directly charged). Those general ledger entries that are shared by one or more programs should be properly allocated between those programs that benefited. If an employee performs direct care services for more than one program area (or organization or business component), it will be necessary to direct cost (i.e., directly charge) that employee's costs between programs based upon actual timesheets rather than using an allocation method. If an employee performs both direct care services and administrative services within one or more organizations/business components, it will be necessary to document the portion of that employee's costs applicable to the delivery of direct care services based upon daily timesheets; time studies are not an acceptable method for documenting direct care employees' costs. Direct costs include both salary-related costs (i.e., salaries,

payroll taxes, employee benefits, and workers' compensation costs) and non-labor costs such as the employee's office space costs (e.g., facility costs related to the square footage occupied by the employee's work area) and departmental equipment (e.g., computer, desk, chair, bookcase) used by the employee in the performance of the employee's duties. See the definition for Direct Costing.

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

Facility Costs - See definition of *Building Costs*.

"Fictive Kin" - Those who have a significant relationship with the child or the child's family, such as a godparent or family friend, and provide residential care for a child.

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

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

Management Services - Services provided under a contract between the contracted provider and a person or organization to provide for the operation of the contracted provider, including administration, staffing, maintenance, or delivery of resident/client care services. Management services do not include contracts solely for maintenance, laundry, or food service. If the provider contracts with another entity for the management or operation of the program, the provider must report the specific direct services costs of that entity and not the amount for which the provider is contracting for the entity's services. Expenses for management provided by the contracted provider's central office must be reported as central office costs. Refer to 1 TAC Sections 355.103(b)(6) for more information.

Necessary - Refers to the relationship of the cost, direct or indirect, incurred by a provider to the provision of contracted care. Necessary costs are direct and indirect costs that are appropriate in developing and maintaining the required standard of operation for providing care for individuals following the contract and state and federal regulations. See TAC reference for additional requirements. Refer to 1 TAC Section 355.102(f)(2).

Net Expenses - Gross expenses less any purchase discounts or returns and purchase allowances. Only net expenses should be reported on the cost report. Refer to 1 TAC Sections 355.102(k) and 355.103(b)(18)(D) for more information.

Owner - An individual (or individuals) or organization that possesses ownership or equity in the contracted provider organization or the supplying organization. A person who is a sole proprietor, partner, or corporate stockholder-employee owning any of the outstanding stock of the contracted provider is considered an owner, regardless of the percentage of ownership. Refer to 1 TAC Sections 355.102(i)(2) and 355.103(b)(2)(A)(i) for more information.

Placement Day – Referred services for one 24RCC client for one day in a residential care facility or foster home placement. The day the client is admitted is counted as a day of service. The day the client is discharged is not counted as a day of service. A placement day is also known as a day of service, or resident day, and is the unit of service for a residential program.

Provider – The individual or legal business entity that is contractually responsible for providing 24RCC services, i.e., the business component with which providers contract for the provision of the services to be reported in this cost report. Also known as a contracted provider. See definitions for Contracting Entity and Cost Report Group Code.

Purchase Discounts – Discounts such as reductions in purchase prices resulting from prompt payment or quantity purchases, including trade, quantity, and cash discounts resulting from the type of purchaser the contracted provider is (i.e., consumer, retailer, or wholesaler). Quantity discounts result from quantity purchasing. Cash discounts are reductions in purchase prices resulting from prompt payment. Reported costs must be reduced by these discounts before being reported on the cost report. Refer to 1 TAC Section 355.102(k) for more information.

Purchase Returns and Allowances - Reductions in expenses resulting from returned merchandise or merchandise that is damaged, lost, or incorrectly billed.

Expenses must be reduced by these returns and allowances before being reported on the cost report. Refer to 1 TAC Section 355.102(k) for more information.

Reasonable - Refers to the amount expended. The test of reasonableness includes the expectation that the provider seeks to minimize costs and that the amount expended does not exceed what a prudent and cost-conscious buyer pays for a given item or service. See TAC reference for additional considerations in determining reasonableness. Refer to 1 TAC Section 355.102(f)(1) for additional considerations in determining reasonableness.

Refunds and Allowances - Reductions in revenue resulting from overcharges.

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

Related – As per 1 TAC Section 355.102(i)(1), “Related to a contracted provider means that the contracted provider to a significant extent is associated or affiliated with, has control of, or is controlled by the organization furnishing services, equipment, facilities, leases, or supplies.” See the definitions of Common Ownership, Control, and Related Party.

Related Party - A person or organization related to the contracted provider by blood/marriage, common ownership, or any association that permits either entity to exert power or influence, either directly or indirectly, over the other. As per 1 TAC Section 355.102(i)(1)(A-I):

In determining whether a related-party relationship exists with the contracted provider, the tests of common ownership and control are applied separately...Control exists where an individual or organization has the power, directly or indirectly, to significantly influence or direct the actions or policies of an organization or institution. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other. The existence of an immediate family relationship will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests where the significance tests are met. The following persons are considered immediate family for cost-reporting purposes:

- (A) husband and wife;
- (B) natural parent, child, and sibling;

- (C) adopted child and adoptive parent;
- (D) stepparent, stepchild, stepsister, and stepbrother;
- (E) father-in-law, mother-in-law, brother-in-law, son-in-law, sister-in-law, and daughter-in-law;
- (F) grandparent and grandchild;
- (G) uncles and aunts by blood or marriage;
- (H) nephews and nieces by blood or marriage; and
- (I) first cousins.

Disclosure of related-party information is required for all allowable costs reported by the contracted provider. [Step 6](#) and [Step 8](#) of STAIRS both have sub-steps designed for reporting compensation of related parties (both wage and contract compensation) and related-party transactions, including the purchase/lease of equipment, facilities, or supplies, and the purchase of services, including related-party loans (i.e., lending services). See also definitions of Common Ownership, Control, Related, and Related-Party Transactions. See also the Cost Report Training materials. Refer to 1 TAC Section 355.102(i)(1) for more information.

Related-Party Transactions - The purchase/lease of buildings, facilities, services, equipment, goods, or supplies from the contracted provider's central office, an individual related to the provider by common ownership or control, or an organization related to the provider by common ownership or control. Allowable expenses in related-party transactions are reported on the cost report at the cost to the Related-Party. However, such costs "must not exceed the price of comparable services, equipment, facilities, or supplies that could be purchased/leased elsewhere" in an arms-length transaction. Refer to 1 TAC Section 355.102(i) for more information.

Resident - Any individual residing in a 24RCC program facility.

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

Revenue Refunds - Reductions in revenue resulting from overcharges.

Safety Program - An ongoing, well-defined program for the reduction/prevention of employee injuries. The costs to administer such a program may include the development/purchase and maintenance of a training program and safety

officer/consultant costs. Salaries and wages for staff administering the safety program must be based on the hours worked on the safety program (from actual timesheets or time studies). These safety program costs should be reported as Administration Costs. Refer to Self-insurance – See Appendix E and 1 TAC Section 355.103(b)(13)(B) for more information.

Self-insurance – See [Appendix E](#) and 1 TAC Section 355.103(b)(13)(B) for more information.

Startup Costs – As per 1 TAC Section 355.103(b)(20)(D):

Startup costs are those reasonable and necessary preparation costs incurred by a provider in the period of developing the provider's ability to deliver services. Startup costs can be incurred before the beginning of a newly formed business and/or before the beginning of a new contract or program for an existing business. Allowable startup costs include, but are not limited to, employee salaries, utilities, rent, insurance, employee training costs, and any other allowable costs incident to the startup period. Startup costs do not include capital purchases, which are purchased assets meeting the criteria for depreciation [as described in the Cost Determination Process Rules]...Any costs that are properly identified as organization costs or construction costs must be appropriately classified as such and excluded from startup costs. Allowable startup costs should be amortized for no less than 60 consecutive months. If the business component or corporation never commences actual operations, or if the new contract/program never delivers services, the startup costs are unallowable.

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

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

Appendix I. Schedule D and E

Schedule D1: Building Lease Information

If you lease your nursing facility building, you must complete Schedule D1 and attach a copy of the lease agreement(s) in effect during your cost-reporting period. A copy of the lease agreement must be attached to **each** year's cost report and properly cross-referenced: submission of the lease agreement with a prior year's cost report does not exempt a facility from the requirement to submit a copy of the agreement with the current cost report Schedules and attachments. The lease agreement must be signed by all interested parties and include all sections and attachments.

If the name of the leased facility as listed on the lease is different from the name of the facility as listed on the cover page of the automated cost report, please provide a written explanation for the difference.

Item 1 (Type of Ownership of Lessor Entity): If your lessor entity's ownership type is not listed in item 1 (e.g., a trust), please indicate the type of ownership by writing it in.

Item 2 (Lessor Entity Identification): Complete all lines. Note that this year, we have added space for the contact person's name, title, and phone and fax number with the lessor entity.

Item 4 (Lessor Entity Owners): This year, in addition to name and title, you are required to provide the percent ownership for each individual with 5% or more ownership interest in the lessor entity. If the lessor ownership type is a trust, list each beneficiary of the trust with 5% or more interest in the trust.

Note: If indicated "Yes" on Step 8a (Was the nursing facility building leased during the cost-reporting period?) and/or reported a cost on Step 8f (Rent / Lease - Building and Building Equipment Program Admin & Operations), you must complete Schedule D.

If two or more leases were in effect during your cost-reporting period, you must complete a separate Schedule D for each lease and provide a table showing the time period each lease was in effect.

Schedule D2: Central Office/Shared Administration Building Lease Information

See the instructions above for Schedule D1. It is not required to submit a copy of the central office/shared administration building lease with the cost report Schedules and attachments unless the lease is with a related party individual/organization. Central office leased building costs should be reported in Step 8f Rent / Lease - Building and Building Equipment_Central Office.

Schedule E: Contract Management Information

If the facility received contracted facility management services (as defined in the Definitions section of these instructions), Schedule E must be completed, and a copy of the management agreement(s) in effect during your cost-reporting period must be uploaded to STAIRS. A copy of the management agreement must be uploaded with each year's cost report and properly cross-referenced: submission of the agreement with a prior year's cost report does not exempt a facility from the requirement to submit a copy of the management agreement with the current cost report Schedules and attachments. All interested parties must sign the management agreement and include all sections and attachments. If there is no written management agreement, attach and cross-reference a written explanation for why this is so.

Item 1 (Type of Ownership of Managing Entity): If the type of ownership of your managing entity is not a listed option in item 1 (e.g., a trust), please indicate the type of ownership by writing it in.

Item 2 (Managing Entity Identification): Complete all lines. Note that this year, we have added space for the name, title, and phone and fax number of a contact person with the managing entity.

Item 3 (Related Party Information): Indicate Yes or No.

Item 4 (Managing Entity Owners): Please note that this year, in addition to name and title, are required to provide the percent ownership for each individual with 5% or more ownership interest in the managing entity. If the managing entity ownership type is a trust, list each beneficiary of the trust with 5% or more interest in the trust.

Note: If the provider answered "Yes" to "Do you have any contracted management costs to report?" on Step 6a and/or reported a cost for "Fees - Management Contract" on Step 8f, the provider must complete Schedule E. The provider must complete Schedule E for both nonrelated

party and related party management agreements. Related party management expenses must be reported at the cost to the related party as central office expenses. The costs are separately reported by cost category, as in Step 7 (Payroll Taxes) and Step 8f. Central Office costs may not be collapsed into a single item.

If two or more management agreements were in effect during your cost-reporting period, you must complete a separate Schedule E for each management agreement and provide a table showing the time period each agreement was in effect.
