1700. GENERAL

The Paperwork Reduction Act of 1980 establishes the requirement that the private sector be informed as to why information is collected and what the information will be used for by the government. In accordance with §1815(a), 1833(e), and §1861(v)(1)(A)(ii) of the Social Security Act, providers of service participating in the Medicare program are required to submit annual information to achieve settlement of costs for health care services rendered to Medicare beneficiaries. Also, 42 CFR 405.406(b) requires that cost reports will be required from providers on an annual basis. In accordance with these provisions, Form HCFA-1728-86 must be completed by all home health agencies (HHAs) in determining program reimbursement. Besides determining program reimbursement, the data submitted on the cost report supports management of the Federal programs, e.g., data extraction in developing cost limits. In completing Form HCFA-1728-86, the information reported must conform to the requirements and principles set forth in the Provider Reimbursement Manual, Part I (HCFA Pub. 15-I). The instructions contained in this chapter are effective for HHAs with cost reporting periods beginning on or after July 1, 1985.

HHAs, as the term is used in this report, refers to institutions meeting the requirements of section 1861(o) of the Social Security Act. Refer to the HHA Manual, HCFA Pub. 11, and the Provider Reimbursement Manual, Part I, HCFA Pub. 15-I, for further definition of terms. Your intermediary will furnish any additions and revisions to the documents cited.

The cost data reported must be based on the step-down method of cost finding and on the accrual basis of accounting. However, where governmental institutions operate on a cash basis of accounting, cost data developed on such basis of accounting will be acceptable, subject to appropriate treatment of capital expenditures.

Form HCFA-1728-86 must be used by all HHAs which are not provider based to which payment is made by Medicare and must be submitted to the HHA's Medicare fiscal intermediary no later than the last day of the third month following the close of the agency's fiscal year. This form must be used for cost reporting periods beginning on or after July 1, 1985.

"Small" HHAs, as defined in 42 CFR 405.453(d), will not have to complete certain identified worksheets of Form HCFA-1728-86, e.g., Worksheets A-1, A-2 and A-3.

An HHA that is not provider-based may be considered a "small" HHA if:

1. the HHA receives less than $35,000 in Medicare reimbursement for the immediately preceding cost reporting period and

2. this reimbursement represented less than 50 percent of the total operating cost of the agency.

Supplemental worksheets are provided on an as needed basis which is dependent on the needs of the HHA. Not all supplemental worksheets would be needed by all HHAs. Following are a few examples of conditions for which supplemental worksheets would be needed:

1. Reimbursement is claimed for a HHA-based rehabilitation facility (CORF).
2. The HHA is proprietary.
3. Recovery of costs under LCC is claimed.
4. HHA has physical therapy services furnished by outside suppliers.
5. The HHA operates an HHA-based hospice.

The HHA may submit computer prepared forms in lieu of the forms provided by HCFA. Computer prepared forms are acceptable if they are reviewed and accepted for provider use by the intermediary or HCFA before being placed into use. (See chapter 1, §108, for the use of computer prepared reporting forms.)

Where computer prepared cost reporting forms have been reviewed and accepted for provider use, they must be revised and resubmitted for review and acceptance whenever changes in the law, regulations, or program instructions are adopted which have an impact on Medicare cost reporting.

1701. WORKSHEET S - HOME HEALTH AGENCY COST REPORT

This page provides for the completion of general information.

1701.1 Part 1 - General.--

Item 1 - Home Health Agency Information--Enter the requested information in the space provided. Include the name and address of the agency, the provider number and the date certified. Enter the beginning and ending dates of the period covered by this cost report. See Provider Reimbursement Manual, Part I, HCFA Pub. 15-I, §2414.

If the agency has either a home health-based hospice and/or a HHA-based CORF, also include the name and address of the hospice, and/or HHA-based CORF, the provider number and the date certified.

Item 2 - Agency Identifier--Check the appropriate block for items 1 through 5. Where items 2, 3 and 5 are checked, identify the agency by alphabetization and check the applicable box.

1. Combined Official and Voluntary--An HHA administered jointly by a voluntary and official agency, supported by tax funds, public funds, earnings and contributions, which provides nursing and therapeutic services.

2. Official (Governmental Agency)--An HHA administered by a State, county, city or other local unit of government and having as a major responsibility prevention of disease and community education. It must offer nursing care of the sick in their homes. Indicate the type of official agency by checking the most appropriate box (a through f).

3. Voluntary Non-Profit--An HHA which is governed by a community-based board of directors is usually financed by earnings and contributions. The primary function is the care of the sick in their homes. Some voluntary agencies are operated under church auspices. Indicate by checking block "a" -Church or block "b" - Other Than Church.

4. Private Not-for-Profit--An HHA that is a privately developed and governed nonprofit organization other than a Visiting Nurse Association (VNA) which provides care of the sick in the home. This agency must qualify as a tax exempt organization under title 26 USC 501(c) of the Internal Revenue Code.

5. Proprietary Organization--An HHA owned and operated by an individual or a business corporation. The organization may be a sole proprietorship, partnership (including limited partnership and joint stock company) or corporation. Check the applicable box, a, b or c.

1701.2 Part II - Certification By Officer or Director of the Agency.--This form must be read and signed by an officer or director of the HHA.

Sections 1877(a)(1) and 1901(a)(1) of the Social Security Act state that, "Whoever knowingly and willfully makes or causes to be made any false statement or representation of material fact in any application for any benefit or payment under this title--shall (i) in the case of such a statement, representation, concealment, failure or conversion by any person in connection with the furnishing (by that person) of items or services for which payment is or may be made under this title, be guilty of a felony and upon conviction thereof fined not more than $25,000 or imprisoned for not more than 5 years, or both, or (ii) in the case of such statement, representation, concealment, failure or conversion by any other person, be guilty of a misdemeanor and upon conviction thereof fined not more than $10,000 or imprisoned for not more than 1 year or both."

1702. WORKSHEET S-1 - HOME HEALTH AGENCY STATISTICAL DATA

1702.1 Part I - Statistical Data.--This part is used to identify the number of service visits and corresponding number of patients. The patient count in columns 2, 4 and 6 should include each individual who received each type of service. The sum of the patient count in columns 2 and 4 will equal the amount in column 6 for each line. However, the total of all of the lines will not equal the line 9 unduplicated census count, since many patients receive more than one service.

Columns 1 and 2--Enter data pertaining to title XVIII patients only. Enter in column 1, the title XVIII visits for each discipline. Enter in column 2, the patient count applicable to the title XVIII visits in column 1 for each line description. See HHA Manual, HCFA Pub. 11, §322, for patient count determination. The sum of lines 1 through 6 in column 1 should be entered in column 1, line 8. The sum of lines 1 through 6 in column 2 will not equal the unduplicated census count on line 9 because a beneficiary could be receiving more than one type of service.

Columns 3 and 4--Enter data pertaining to all other patients. Enter in column 3, the count of all of the agency visits except Medicare (title XVIII) visits for each discipline. Enter in column 4, the total agency patient count except Medicare, applicable to the agency visits entered in column 3. The sum of lines 1 through 7 in column 3 should be entered in column 3, line 8. The sum of lines 1 through 7 in column 4 will not equal the unduplicated census count on line 9 because a beneficiary could be receiving more than one type of service.

Columns 5 and 6--The amounts entered in column 5 will be the sum of columns 1 and 3 for each discipline. The amounts entered in column 6 will be the sum of columns 2 and 4 for each discipline.

LINE DESCRIPTIONS

Lines 1 through 6--These lines identify the type of home health services which are reimbursable by Medicare.

Line 7--Enter in columns 3 and 5, the total of all other visits (e.g., private duty nursing services, homemakers). Enter in columns 4 and 6, the patient count applicable to visits furnished by the agency but which are not reimbursable by Medicare.

Line 8--Enter in column 1, line 8, the sum of lines 1 through 6. Enter in column 3, line 8, the sum of lines 1 through 7. Enter in column 5, line 8, the sum of columns 1 and 3.

Line 9--Enter on line 9, the unduplicated count of all individual patients and Medicare patients receiving home visits or other care provided by employees of the agency or under contracted services during the reporting period. Each individual is counted only once. However, because a patient may be covered under more than one health insurance program, the total census count, line 9, may not equal the sum of title XVIII and all other census counts.

Line 10--All HHAs which provide home health aide services will enter the number of hours applicable to home health aide services.

1702.2 Part II - Employment Data.--

Employment Category--Every employee that was employed by the HHA during the cost reporting period should be accounted for in one and only one of the ten employment categories regardless of the actual duties performed. For example, if an HHA employs a nurse that spends a portion of her time providing skilled nursing care, a portion of her time providing private duty nursing services and a portion of her time performing administrative duties, the employee would be included in the "Nurses" employment category as her salary is reflective of her nursing expertise. If the HHA hires a nurse solely as a supervisor or administrator, that employee would be included in the "Executive Administrative Personnel" employment category. However, when a person has more than one duty, the provider must allocate that person's time based on FTEs to the different cost centers. When a person has one primary duty but also performs other services, that person would be included in the category in which the primary duty falls.

Governmental HHAs that serve other functions in addition to being an HHA should account for all employees that perform duties for the HHA, i.e., any employee for which a salary amount is required to be reported on the trial balance of expenses on the HHA cost report. For example, a health department-based HHA would not include in any of the employment categories, nurses that work exclusively in the family planning clinic. However, if a nurse works for both the clinic and the HHA, the employee would be included in the "Nurses" employment category. The portion of an FTE represented by the nurse would be computed based on the number of hours the nurse was paid for performing HHA duties.

Column 1 - Number of FTE Employees - Staff--Enter the number of FTE employees on the payroll. These are employees for whom an IRS form W-2 is issued. FTEs are computed as the sum of all hours for which employees were paid divided by 2,080 hours (providers with a full 12-month cost reporting period only) rounded to two decimal places.

HHAs with other than a full 12-month cost reporting period will compute FTEs by taking the total number of hours for which employees were paid and dividing by the proportion of 2,080 represented by the actual number of weeks in their cost reporting period (any part of a week will be counted as a full week).

Example:

An HHA with a cost reporting period 01/01/84 - 03/31/84 (13 weeks) would compute FTEs by dividing the number of hours for which employees were paid by 520.

Nonpaid workers are excluded from FTE counts.

Column 2 - Number of FTE Employees--Contract--Enter the number of FTE contract employees. FTEs are computed as the sum of all hours for which contracted and consultant staff were paid divided by 2,080 hours (providers with a full 12-month cost reporting period only) rounded to two decimal places. HHAs with other than a full 12-month reporting period will compute FTEs using the same methodology as is used for staff FTEs.

1703. WORKSHEET A - RECLASSIFICATION AND ADJUSTMENT OF TRIAL BALANCE OF EXPENSES

The working trial balance of the agency must be submitted with the cost report. A working trial balance is a listing of the balances of the accounts in the general ledger to which adjustments are appended in supplementary columns and used as a basic summary for financial statements.

This worksheet provides for recording of direct costs such as salaries, fringe benefits, transportation and contracted services, as well as other costs to arrive at the identifiable agency costs in column 10. Also, it provides for the reclassification and adjustments to certain accounts. The total direct expenses of the trial balance before grouping, reclassifications and adjustments are obtained from the provider's records.

The cost centers on this worksheet are listed in a manner which facilitates the sequential listing of accounts and array of expense accounts for transfer of the various cost center data from Worksheets A-1, A-2 and A-3. All of the cost centers listed will not apply to all agencies using these forms, therefore, use only those cost centers applicable to your HHA.

Standard (i.e, preprinted) HCFA line numbers and cost center descriptions cannot be changed. If a provider needs to use additional or different cost center descriptions it may do so by adding additional lines to the cost report. This should be done in a manner that the entries on the line bear a logical relationship to the standard line description immediately preceding the added line. The added line should be identified as either an alpha or numeric subscript of the immediately preceding line. That is, if two lines are added between lines 5 and 6, they should be identified as lines 5A and 5B or as lines 5.1 and 5.2. If additional lines are added for general service cost centers, corresponding columns must be added to Worksheets B and B-1 for cost finding.

Example:

Line 5 is provided for the administrative and general (A&G) cost center. If the provider maintains records of administrative costs in a more detailed manner than using the A&G cost center (e.g., maintains cost centers for general accounting, patient accounting, personnel, purchasing and general administration) and they are to be reported separately on the cost report, then they must be reported with a subscripted alpha or numeric code (e.g., 5A through 5F or 5.1 through 5.6).

The costs to be entered in columns 1 through 5 are only those actual costs incurred by or for the HHA for which the cost report is prepared. If the reporting entity is a certified "sub unit" of a State health department, the amounts to be entered are only those amounts that are directly applicable to the "sub unit." The aggregation and reallocation of costs at the State level is not acceptable. For example, if a State were to operate a number of "sub units," the compensation amounts to be entered are only the compensation amounts of the employees that actually work in the "sub unit." The State may not use statistical allocations of aggregate salaries to determine the salary costs applicable to the "sub unit."

Column 1 - Salaries--The expenses listed in this column are obtained from Worksheet A-1. The sum of column 1 must equal Worksheet A-1, column 9, line 29.

Column 2 - Employee Benefits--The expenses listed in this column are obtained from Worksheet A-2. The sum of column 2 must equal Worksheet A-2, column 9, line 29.

Column 3 - Transportation--Enter on each line other than line 4 the cost of public transportation or the amount paid to employees for the use of private vehicles only when these costs can be identified and directly assigned to a particular cost center.

Where the agency owns (or rents) its vehicles, this cost should be entered on line 4 in the transportation cost center and allocated during the cost finding process.

The transportation cost is reported in this manner so that the identifiable costs can be recorded where applicable and the unidentifiable costs will be allocated during cost finding.

Column 4 - Contracted/Purchased Services--The expenses listed in this column are obtained from Worksheet A-3. The sum of column 4 must equal Worksheet A-3, column 9, line 29.

Column 5 - Other Costs--Enter on the applicable lines in column 5 all agency costs which have not been reported in columns 1 through 4 from the agency's books and records.

Column 6 - Total Agency Cost--Add the amounts in columns 1 through 5 for each cost center and enter the totals in column 6.

Column 7 - Reclassifications--Enter in this column any reclassifications among the cost center expenses in column 6, which are needed to effect proper cost allocation. Worksheet A-4 is provided to compute the reclassifications affecting the expenses specified therein. This worksheet need not be completed by all agencies but must be completed only to the extent that the reclassifications are needed and appropriate in the particular agency's circumstances. Reductions to expense should be shown in parentheses ( ). The net total of the entries in column 7 must equal zero on line 29. Amounts on line 26, Insurance - Malpractice, line 27, Insurance - Other, and line 28, Interest, are reclassified to Capital Related Cost - Buildings and Fixtures, Capital Related Cost -Movable Equipment, Plant Operations, Transportation or the Administrative and General (A&G) cost centers.

Column 8 - Reclassified Trial Balance--Adjust the amounts entered in column 6 by the amounts entered in column 7 (increase or decrease) and extend the net balance to column 8. The total of column 8, line 29, must equal the total of column 6, line 29.

Column 9 - Adjustments to Expenses--Enter on the appropriate lines in column 9 the amounts of any adjustments to expenses indicated on Worksheet A-5.

Column 10 - Net Expenses for Allocation--Adjust the amounts in column 8 by the amounts in column 9 (increase or decrease) and extend the net balances to column 10.

LINE DESCRIPTIONS

Line 3 - Plant Operation and Maintenance--This cost center shall contain the direct expenses incurred in the operation and maintenance of the plant and equipment, maintaining general cleanliness and sanitation of the plant, and protecting employees, visitors and agency property.

Plant Operations and Maintenance includes the maintenance and service of utility systems such as heat, light, water, air conditioning and air treatment; the maintenance and repair of buildings, parking facilities, and equipment; painting, elevator maintenance; performance of minor renovation of buildings and equipment; maintenance of grounds of the institution, such as landscaped and paved areas, streets on the property, sidewalks, fenced areas and fencing, external recreation areas, and parking facilities; the care or cleaning of the interior physical plant, including the care of floors, walls, ceilings, partitions, windows (inside and outside), fixtures and furnishings and emptying of trash containers, as well as the costs of similar services purchased from outside organizations, and maintaining the safety and well-being of personnel and visitors, and the HHA facilities.

Line 4 - Transportation--Enter on line 4 all of the cost of transportation except those costs previously directly assigned in column 3. This cost is allocated during the cost finding process.

Line 5 - Administrative and General (A&G)--This cost center should be used to record the expenses of several costs incurred in maintaining the HHA. Some costs which would be included in the A&G cost center are Fiscal Services, Legal, Accounting, Recordkeeping, Data Processing, Purchasing, Taxes, Phone, etc.

Line 11 - Home Health Aide--Enter on this line the cost of home health aide services. The primary function of a home health aide is the personal care of a patient. The services of a home health aide are given under the supervision of a registered professional nurse and, if appropriate, a physical, speech, or occupational therapist. The assignment of a home health aide to a particular case must be made in accordance with a written plan of treatment established by a physician which indicates the patient's need for personal care services. The specific personal care services to be provided by the home health aide must be determined by a registered professional nurse and not by the home health aide.

Lines 12-14 - Costs for Enteral and Parenteral Nutrition Therapy (EPNT) are not considered routine in conjunction with patient visits and are to be included on lines 12-14, as appropriate, to be billed separately.

EPNT items, which are considered prosthetic devices, furnished by a home health agency on or after March 14, 1986 are reimbursed on a reasonable charge basis through billings submitted to the Part B specialty carrier. (As a prosthetic device, such services are only reimbursable under Part B.) Charges for these items must be included in total charges, but excluded from the title XVIII charge statistics in the apportionment of durable medical equipment (DME) and medical supply costs on Worksheet C, lines 8, 9 and 10.

Line 12 - Durable Medical Equipment - Rented--Include on this line items of medical equipment which are rented by the patients or individuals. Also include all the direct expenses incurred by the agency in requisitioning and issuing the durable medical equipment rented to patients and individuals.

Line 13 - Durable Medical Equipment - Sold--Enter on this line items of medical equipment which are sold directly to the patient or individuals. Also include all the direct expenses incurred by the agency in requisitioning and issuing the durable medical equipment sold to patients or individuals. durable medical equipment includes, but is not limited to, hospital beds, wheelchairs, trapeze bars, oxygen tents, intermittent positive breathing machines, etc.

Line 14 - Supplies--Medical supplies to be reported on this line are those supplies that are not routinely furnished in conjunction with patient care visits and which are directly identifiable services to an individual patient; that is, medical supplies for which a separate charge is made, in addition to the per visit charge, must be excluded from the per visit cost if:

1. The common and established practice of comparable HHAs in the area is to charge separately for the item,

2. The HHA follows a consistent charging practice for Medicare and non-Medicare patients receiving the item,

3. Generally, the item is not frequently furnished to patients,

4. The item is directly identifiable to an individual patient and its cost can be identified and accumulated in a separate cost center and

5. The item is furnished at the direction of the patient's physician and is specifically identified in the plan of treatment.

Medical supplies which should not be reported on this line are those minor medical and surgical supplies which would not be expected to be specifically identified in the physician's plan of treatment, or for which a separate charge is not made. These must be included in the per visit cost. These supplies (e.g., cotton balls, alcohol prep) are items which are frequently furnished to patients or utilized individually in small quantities (even though these items in certain situations may be used in greater quantity).

Line 15 - Home Dialysis Aide Service--Enter on this line the cost of home dialysis aide services furnished in connection with a home dialysis program. This service is reimbursable through the home dialysis program but is not reimbursable directly to the HHA by Medicare.

Line 16 - Respiratory Therapy--Enter on this line the costs of respiratory therapy services. These costs are not reimbursable as a home health benefit; however, they are reimbursed as a shared CORF service.

Line 22 - CORF--Enter on this line the direct costs associated with the CORF in the HHA-based CORF.

Line 23 - Hospice--Enter on this line the direct costs associated with hospice care in the HHA-based hospice.

Line 24 - Homemaker Service--Enter on this line the cost of a homemaker providing assistance in household activities, meals preparation and other services not directly related to the patient's medical care.

Line 25 - Other--Space is provided for the agency to list other services which are performed by the agency. Services may be reimbursable by other programs such as School Programs, Occupational Health Programs, etc.

Line 26 - Insurance - Malpractice--Enter the amount of malpractice insurance premiums paid by the HHA on this line. This cost will be reclassified to other cost centers on Worksheet A-4.

Line 27 - Insurance - Other--Enter the amount of premiums for insurance other than malpractice insurance. This cost will be reclassified to other cost centers on Worksheet A-4.

Line 28 - Interest--These costs are to be reclassified to Capital Related Costs, Plant Operation, Transportation or A&G cost centers.

The line designations for lines 26-28 are carried forward to Worksheets B and B-1 to maintain the numbering sequence of the forms.

1704. WORKSHEET A-1 - COMPENSATION ANALYSIS - SALARIES AND WAGES

A "small" HHA, as defined in 42 CFR 405.453(d), will not have to complete Worksheet A-1.

All salaries and wages for the HHA will be entered on this worksheet for the actual work performed within the specific area or cost center in accordance with the column headings. For example, if the Administrator also performs skilled nursing care which accounts for 25 percent of that person's time, then 75 percent of the Administrator's salary will be entered on line 5 (A&G) and 25 percent of the Administrator's salary will be entered on line 6 (Skilled Nursing Care).

The records necessary to determine the split in salary between two or more cost centers must be maintained by the HHA and must adequately substantiate the method used to split the salary. These records must be available for audit by the intermediary and the intermediary can accept or reject the method used to determine the split in salary. Where approval of a method has been requested in writing and this approval has been received (prior to the beginning of a cost reporting period), the approved method will remain in effect for the requested period and all subsequent periods until the provider requests in writing to change to another method or until the intermediary determines that the method is no longer valid due to changes in the HHA's operations.

DEFINITIONS

SALARY--Gross salary paid to the employee before taxes and other items are withheld, including deferred compensation, overtime, incentive pay and bonuses.

ADMINISTRATORS--(Column 1)

Possible Titles: President, Chief Executive Officer

Duties: This position is the highest occupational level in the agency. This individual is the chief management official in the agency. He/she develops and guides the organization by taking responsibility for planning, organizing, implementing and evaluating. He/she is responsible for the application and implementation of established policies. He/she may act as a liaison among the governing body, the medical staff and any departments. He/she provides for personnel policies and practices that adequately support sound patient care and maintains accurate and complete personnel records. He/she implements the control and effective utilization of the physical and financial resources of the provider.

DIRECTORS__(Column 2)

Possible Titles:Medical Director, Director of Nursing, or Executive Director

Duties: The Medical Director is responsible for helping to establish and assure that the quality of medical care is appraised and maintained. This individual advises the chief executive officer on medical and administrative problems, investigates and studies new developments in medical practices and techniques.

The Nursing Director is responsible for establishing the objectives for the department of nursing. This individual administers the department of nursing, directs and delegates management of professional and ancillary nursing personnel.

SUPERVISORS (Column 4)

Employees in this classification are primarily involved in the direction, supervision and coordination of HHA activities.

When a supervisor performs two or more functions, e.g., supervision of nurses and home health aides, the salaries and wages must be split in proportion with the percent of the supervisor's time spent in each cost center providing the HHA maintains the proper records (continuous time records) to support the split. If continuous time records are not maintained by the HHA, the entire salary of the supervisor will be entered on line 5 (A&G) and allocated to all cost centers through step down. However, if the supervisor's salary is all lumped in one cost center, e.g., skilled nursing care and the supervisor's title coincides with this cost center, e.g., Nursing Supervisor, no adjustment will be required.

THERAPISTS (Column 6)

Include in column 6, on the line indicated, the cost attributable to the following services:

1. Physical Therapy - line 7
2. Occupational Therapy - line 8
3. Speech Pathology - line 9
4. Medical Social Services - line 10

1. Physical Therapy is the provision of physical or corrective treatment of bodily or mental conditions by the use of physical, chemical and other properties of heat, light, water, electricity, sound, massage and therapeutic exercise by or under the direction of a registered physical therapist as prescribed by a physician. The physical therapist provides evaluation, treatment planning, instruction and consultation. Activities include, but are not limited to, the following: application of muscle tests and other evaluative procedures; formulation and provision of therapeutic exercise and other treatment programs upon physician referral or prescription; instructing and counseling patients, relatives, or other personnel; consultation with other health workers concerning a patient's total treatment program.

2. The Speech-Language Pathology is the provision of services to persons with impaired functional communications skills by or under the direction of a qualified speech-language pathologist as prescribed by a physician. This includes the evaluation and management of any existing disorders of the communication process centering entirely, or in part, on the reception and production of speech and language related to organic and/or nonorganic factors. Professional services provided by this cost center are grouped into a minimum of three major areas: Diagnostic Assessment and Evaluation--including clinical appraisal of speech, voice and language competencies, through standardized and other tasks, to determine need for and types of rehabilitation required; Rehabilitative Treatment--including planning and conducting treatment programs on an individual basis, to develop, restore or improve communicative efficiency of persons disabled in the process of speech, voice and/or language; and Continuing Evaluation/Periodic Reevaluation--including both standardized and informal procedures to monitor progress

and verify current status. Additional activities include, but are not limited to, the following: preparation of written diagnostic, evaluative and special reports; provision of extensive counseling and guidance to communicatively-handicapped individuals and their families; and consultation with other health care practitioners concerning a patient's total treatment program.

3. Occupational Therapy is the application of purposeful, goal-oriented activity in the evaluation, diagnosis, and/or treatment of persons whose function is impaired by physical illness or injury, emotional disorder, congenital or developmental disability, or the aging process, in order to achieve optimum functioning, to prevent disability, and to maintain health. Specific occupational therapy services include, but are not limited to, education and training in activities of daily living (ADL); the design, fabrication and application of splints; sensorimotor activities; the use of specifically designed crafts; guidance in the selection and use of adaptive equipment, therapeutic activities to enhance functional performance; prevocational evaluation and training; and consultation concerning the adaptation of physical environments for the handicapped. These services are provided to individuals in their place of residence by or under the direction of an occupational therapist as prescribed by a physician.

4. Medical Social Services is the provision of counseling and assessment activities which contribute meaningfully to the treatment of a patient's condition. These services must be under the direction of a physician and must be given by or under the supervision of a qualified medical or psychiatric social worker. Such services include, but are not limited to, the following: assessment of the social and emotional factors related to the patient's illness, his need for care, his response to treatment and his adjustment to care; appropriate action to obtain case work services to assist in resolving problems in these areas; assessment of the relationship of the patient's medical and nursing requirements to his home situation, his financial resources and the community resources available to him.

AIDES--(Column 7)

Included in this classification are specially trained personnel employed for providing personal care services to patients. These employees are subject to Federal wage and hour laws.

Home Health Aide Services is the provision of personal care services under the supervision of a registered professional nurse, and if appropriate, a physical, speech or occupational therapist, or other qualified person.

This function is performed by specially trained personnel who assist individuals in carrying out physicians instructions and established plan of care. Additional services include, but are not limited to, assisting the patient with activities of daily living (helping patient to bathe, to get in and out of bed, to care for hair and teeth); to exercise; to take medications specially ordered by a physician which are ordinarily self-administered; assisting the patient with necessary self-help skills.

Add the amounts of each cost center, columns 1 through 8, and enter the total in column 9. Transfer these totals to Worksheet A, column 1, lines as applicable. To facilitate transferring amounts from Worksheet A-1 to Worksheet A, the same cost centers with corresponding line numbers are listed on both worksheets. Not all of the cost centers will be applicable to all agencies; therefore, use only those cost centers applicable to your HHA.

1705. WORKSHEET A-2 - COMPENSATION ANALYSIS - EMPLOYEE BENEFITS (PAYROLL RELATED)

A "small" HHA, as defined in 42 CFR 405.453(d), will not have to complete Worksheet A-2.

All payroll-related employee benefits for the HHA will be entered on this worksheet. See HCFA Pub. 15-I, chapter 21, for definition of fringe benefits. Entries will be made using the same basis as that used for reporting salaries and wages on Worksheet A-1. Therefore, using the same example as given for Worksheet A-1, 75 percent of the Administrator's payroll-related fringe benefits will be entered on line 5 (A&G) and 25 percent of the Administrator's payroll-related fringe benefits will be entered on line 6 (Skilled Nursing Care).

Payroll-related employee benefits must be reported in the cost center that the applicable employee's compensation is reported. This assignment can be performed on an actual basis or upon the following basis:

1. FICA - actual expense by cost center
2. Pension and Retirement and Health Insurance (nonunion) - gross salaries of participating individuals by cost centers
3. Union Health and Welfare - gross salaries of participating union members by cost center
4. All other payroll-related benefits - gross salaries by cost center

Nonpayroll-related employee benefits are to be included in the A&G cost center.

Add the amounts of each cost center, columns 1 through 8, and enter the total in column 9. Transfer these totals to Worksheet A, column 2, lines as applicable. To facilitate transferring amounts from Worksheet A-2 to Worksheet A, the same cost centers with corresponding line numbers are listed on both worksheets.

1706. WORKSHEET A-3 - COMPENSATION ANALYSIS - CONTRACTED SERVICES/PURCHASED SERVICES

A "small" HHA, as defined in 42 CFR 405.453(d), will not have to complete Worksheet A-3.

All other agencies must enter on this worksheet all contracted and/or purchased services for the HHA. Enter the contracted/purchased cost on the appropriate cost center line within the column heading which best describes the type of services purchased. For example, where physical therapy services are purchased, enter the contract cost of the therapist in column 6, line 7. If a contracted/purchased service covers more than one cost center, then the amount applicable to each cost center should be included on each affected cost center line. Add the amounts of each cost center, columns 1 through 8, and enter the total in column 9. Transfer these totals to Worksheet A, column 4, lines as applicable. To facilitate transferring amounts from Worksheet A-3 to Worksheet A, the same cost centers with corresponding line numbers are listed on both worksheets.

1707. WORKSHEET A-4 - RECLASSIFICATIONS

This worksheet provides for the reclassification of expense accounts to effect proper cost allocation under cost finding. The following are some examples of costs which should be reclassified.

A. Licenses and Taxes (Other Than Income Taxes)--This expense consists of the business license expense and tax expense incidental to the operation of the agency. Such expenses are normally included in the A&G cost centers.

Licenses and taxes applicable to buildings and fixtures must be reclassified to the Capital Related - Buildings and Fixtures account, Worksheet A, line 1. Any licenses and taxes which cannot be identified to a specific cost center and are incidental to the general overall operation of the agency must be included in the A&G account, Worksheet A, line 5.

B. Interest--Short-term interest expense relates to borrowings for agency operations. The full amount of this cost must be reclassified to A&G, Worksheet A, line 5. Long-term interest will be reclassified to Capital Related Cost - Buildings and Fixtures, Worksheet A, line 1, unless it related to movable equipment when it will be classified to Worksheet A, line 2.

C. Insurance - Malpractice, Insurance - Other--Reclassify these insurance expenses to A&G, Worksheet A, line 5. Malpractice insurance may be reclassified directly to the applicable cost centers (other than A&G) only where the insurance policy specifically and separately identifies the premium for each cost center involved.

D. Where a provider purchases services (e.g., physical therapy) under arrangements for Medicare patients, but does not purchase such services under arrangements for non-Medicare patients, the providers' books will reflect only the cost of the Medicare services. However, if the provider does not use the "grossing up" technique for purposes of allocating overhead, and if the provider incurs related direct costs applicable to all patients, Medicare and non-Medicare (e.g., paramedics or aides who assist a physical therapist in performing physical therapy services), such related costs should be reclassified from the HHA Reimbursable Service cost center and be allocated as part of administrative and general expense.

E. Leases--This expense consists of all rental costs of buildings and equipment incidental to the operation of the HHA. Leases applicable to buildings and movable equipment must be reclassified to the Capital Related account. Any lease which cannot be identified to a special cost center and is incidental to the general overall operation of the agency must be included in the A&G account, Worksheet A, line 5.

1708. WORKSHEET A-5 - ADJUSTMENTS TO EXPENSES

This worksheet provides for the adjustments to the expenses listed on Worksheet A, column 9. These adjustments, which are required under the Medicare principles of reimbursement, are to be made on the basis of "cost" or "amount received" as indicated by the symbols entered in column 1:"A" for cost; and "B" for amount received. Line descriptions indicate the more common activities which affect allowable costs, or result in costs incurred for reasons other than patient care and, thus, require adjustments.

Types of items to be entered on Worksheet A-5 are: (1) those needed to adjust expenses to reflect actual expenses incurred; (2) those items which constitute recovery of expenses through sales, charges, fees, grants, gifts, etc.; (3) those items needed to adjust expenses in accordance with the Medicare principles of reimbursement; and (4) those items which are provided for separately in the cost apportionment process.

Where an adjustment to an expense affects more than one cost center, the provider should either (1) record the adjustment to each cost center on a separate line on Worksheet A-5, or (2) enter the total adjustment on one line and attach a supporting worksheet showing the required adjustments to the various cost centers affected. In this latter situation, enter on the appropriate line in column 3, the words "Supporting Worksheet Attached."

LINE DESCRIPTIONS

Line 1 - Excess Funds Generated from Operations Other Than Net Income--Enter on this line funds received from miscellaneous sources not specifically listed on this schedule.

Line 2 - Trade, Quantity, Time and Other Discounts on Purchases

Line 3 - Rebates and Refunds of Expenses

Line 4 - Home Office Costs--Enter on this line allowable home office costs which have been allocated to the provider. Additional lines should be used to the extent that various provider cost centers are affected. (See HCFA Pub. 15, Part I, chapter 21.)

Line 5 - Adjustment Resulting from Transactions With Related Organizations--The amount to be entered on this line is obtained from Worksheet A-6, Part B, column 6, line 4. Note that Worksheet A-6, Part B, Lines 1 - 3, represent the detail of the various cost centers to be adjusted on Worksheet A.

Line 6 - Sale of Medical Records and Abstracts--Enter the amount received from the sale of medical records and abstracts and offset the amount against the A&G cost centers.

Line 7 - Income from Imposition of Interest, Finance or Penalty Charges--Enter on this line the cash received from imposition of interest, finance, or penalty charges on overdue receivables. This income must be used to offset the allowable A&G costs. (See HCFA Pub. 15, Part I, chapter 21.)

Line 8 - Sale of Medical and Surgical Supplies to Other than Patients

Line 9 - Sale of Drugs to Other than Patients

Line 10 - Physical Therapy Adjustment--Where an HHA purchases physical therapy services furnished by an outside supplier. Supplemental Worksheet A-8-3 must be completed to compute the reasonable cost determination. Enter on this line any adjustment (Excess cost over Limitation) from Supplemental Worksheet A-8-3, Part V, line 49.

Line 11 - Interest on Medicare Overpayments and Borrowings To Repay Medicare Overpayments.--Enter on this line the interest expense imposed by the intermediary on Medicare overpayments to the provider. Also, enter on this line the interest expense on borrowings made to repay Medicare overpayments to the provider.

Lines 12 through 20--Enter on these lines any additional adjustments which are required under the Medicare principles of reimbursement which affects proper cost allocation of expenses. Example: The total costs incurred by a HHA pursuant to a contract entered into after December 5, 1980, effective for services to be furnished on or after July 1, 1981, for, or on behalf of, the agency are unallowable costs where (1) the contract is entered into for a period exceeding 5 years, or (2) the amount payable by the HHA under the contract is based on a percentage of the agency's reimbursement, or claim for reimbursement, for services furnished by the agency. The lines should be appropriately labeled to indicate the nature of the required adjustments.

1709. WORKSHEET B - COST ALLOCATION - GENERAL SERVICE COSTS AND WORKSHEET B-1 - COST ALLOCATION - STATISTICAL BASIS

Worksheet B provides for the allocation of the expenses of each general service cost center to those cost centers which receive the services. The cost centers serviced by the general service cost centers include all cost centers within the provider organization, i.e., other general service cost centers, reimbursable cost centers and nonreimbursable cost centers. The total direct expenses to be allocated are obtained from Worksheet A, column 10. To facilitate transferring amounts from Worksheet A to Worksheet B the same cost centers with corresponding line numbers (lines 1 through 29) are listed on both worksheets.

Worksheet B-1 provides for the proration of the statistical data needed to equitably allocate the expenses of the general service cost centers on Worksheet B.

To facilitate the allocation process, the general format of Worksheets B and B-1 are identical. The column and line numbers for each general service cost center are identical on the two worksheets. In addition, the line numbers for each general, reimbursable and nonreimbursable cost centers are identical on the two worksheets.

The statistical bases shown at the top of each column on Worksheet B-1 are the recommended bases of allocation of the cost centers indicated.

Most cost centers are allocated on different statistical bases. However, for those cost centers where the basis is the same (e.g., square feet), the total statistical base over which the costs are to be allocated will differ because of the prior elimination of cost centers that have been closed.

When closing the general service cost center first close those cost centers that render the most services to and receive the least services from other cost centers. The cost centers are listed in this sequence from left to right on the worksheet. However, the circumstances of an agency may be such that a more accurate result is obtained by allocating to certain cost centers in a sequence different from that followed on these worksheets.

NOTE: An HHA wishing to change its allocation basis for a particular cost center or the order in which the cost centers are allocated must make a written request to its intermediary for approval of the change and submit reasonable justification for such change prior to the beginning of the cost reporting period for which the change is to apply. The effective date of the change will be the beginning of the cost reporting period for which the request has been made. (See HCFA Pub. 15, Part I, chapter 23.) In applying the agency must establish that the alternate basis or sequence of allocation is more accurate than that indicated on the official form. A mere demonstration that a cost allocation is different is not adequate to establish that it is more accurate.

EXCEPTION: A "small" HHA as defined in 42 CFR 405.453(d) will not have to request written permission to use the procedures outlined for "small" HHAs below.

On Worksheet B-1, enter on the first line in the column of the cost center the total statistics applicable to the cost center being allocated, e.g., column 1 - Capital Related -Buildings and Fixtures, enter on line 1, the total square feet of the buildings and fixtures applicable to the cost centers to which depreciation will be allocated.

Such statistical base should not include any statistics related to services furnished under arrangements except where both Medicare and non-Medicare costs of arranged for services are recorded in the provider's records.

For all cost centers (below the cost center being allocated) to which the service rendered is being allocated, enter that portion of the total statistical base applicable to each. The total sum of the statistical base applied to each cost center receiving the services rendered must equal the total statistics entered on the first line.

Enter on Worksheet B-1, line 29, the total expenses of the cost center to be allocated. This amount is obtained from Worksheet B from the same column and line number of the same column (in the case of Capital Related Costs - Buildings and Fixtures, this amount is on Worksheet B, column 1, line 1).

Divide the amount entered on line 29 by the total statistical base entered in the same column on the first line. Enter the resulting Unit Cost Multiplier on line 30. The Unit Cost Multiplier is to be rounded to at least the nearest four decimal places, e.g., round .62244 to .6224.

Multiply the Unit Cost Multiplier by that portion of the total statistical base applicable to each cost center receiving the services rendered. Enter the result of each computation on Worksheet B in the corresponding column and line.

After the Unit Cost Multiplier has been applied to all the cost centers receiving costs, the total expenses (line 29) of all of the cost centers receiving the allocation on Worksheet B must equal the amount entered on the line of the cost center being allocated.

The preceding procedures must be performed for each general service cost center. Each cost center must be completed on both Worksheets B and B-1 before proceeding to the next cost center.

After all the costs of the general service cost centers have been allocated on Worksheet B, enter in column 6, the sum of the expenses on lines 6 through 25. The total expenses entered in column 6, line 29, should equal the total expenses entered in column 0, line 29.

Transfer the amounts in column 6 to Worksheet C, column 2, as follows:

From Worksheet B Column 6		To Worksheet C Column 2	
Line	6	Line	1
	7		2

From Worksheet B Column 6	To Worksheet C Column 2
Line 8	Line 3
9	4
10	5
11	6
12	8
13	9
14	10

COLUMN DESCRIPTIONS

Column 1 - Capital Related Costs - Buildings and Fixtures--Depreciation on buildings and fixtures and expenses pertaining to buildings and fixtures such as insurance, interest, rent and real estate taxes are combined in this cost center to facilitate cost allocation. All expenses should be allocated to the cost centers on the basis of square feet of area occupied. The square footage may be weighted if the person who occupies a certain area of space spends their time in more than one function. For example, if a person spends 10 percent of time in one function, 20 percent in another function and 70 percent in still another function, the square footage may be weighted according to the percentages of 10 percent, 20 percent and 70 percent to the applicable functions.

If an HHA occupies more than one building (e.g., several branch offices), it may allocate the depreciation and related expenses by building, using a supportive worksheet showing the detail allocation and transferring the accumulated costs by cost center to Worksheet B, column 2.

Column 2 - Capital Related Costs - Movable Equipment--All expenses (e.g., interest, personal property tax, etc.) for movable equipment should be allocated to the appropriate cost centers on the basis of square feet of area occupied or dollar value.

Column 4 - Transportation--The cost of vehicles owned or rented by the agency and all other transportation costs which were not directly assigned to another cost center on Worksheet A, column 3, is included in this cost center. This expense should be allocated to the cost centers to which it applies on the basis of miles applicable to each cost center.

This basis of allocation is not mandatory and a provider may use weighted trips rather than actual miles as a basis of allocation for transportation costs which are not directly assigned. However, an HHA must request the use of the alternative method in accordance with the HCFA Pub. 15, Part I, §2313. The HHA must maintain adequate records to substantiate the use of this allocation.

Column 5 - Administrative and General (A&G)--The A&G expenses are allocated on the basis of net costs after reclassifications and adjustments. Therefore, the amounts to be entered on Worksheet B-1, column 5, are obtained from Worksheet B, column 0, lines 6 through 25.

A negative cost center balance in the statistics for allocating A&G expenses causes an improper distribution of this overhead cost center. Negative balances are excluded from the allocation statistics when A&G expenses are allocated on the basis of net cost.

A&G costs applicable to contracted services may be excluded from the total cost (Worksheet B, column 0) for purposes of determining the basis of allocation (Worksheet B-1, column 5) of the A&G costs. This procedure may be followed where the HHA contracts for services to be performed for the HHA and the contract identifies the A&G costs applicable to the purchased services. The contracted A&G costs must be added back to the applicable cost center after allocation of the HHA A&G cost, before the reimbursable costs are transferred to worksheet C. A separate worksheet must be included to display the breakout of the contracted A&G costs from the applicable cost centers before allocation and the adding back of these costs after allocation. Intermediary approval does not have to be secured in order to use the above described method of cost finding for A&G.