

**4014. WORKSHEET A-6 - RECLASSIFICATIONS**

This worksheet provides for the reclassification of certain costs to effect proper cost allocation under cost finding. For each reclassification adjustment, assign an alpha character in column 1 to identify each reclassification entry, e.g., A, B, C. **DO NOT USE NUMERIC DESIGNATIONS.** All reclassification entries must have a corresponding Worksheet A line number reference in columns 3 and 7. In column 10, indicate the column of Worksheet A-7 impacted by the reclassification, where applicable. If more than one column on Worksheet A-7 is impacted by one reclassification, report each entry as a separate line to properly report each column impacted on Worksheet A-7. If you directly assign the capital-related costs (i.e., insurance, taxes, and other), reclassify these costs to line 3. Do not reclassify other capital-related costs reported or reclassified to line 3 of Worksheet A back to the capital lines 1 or 2, of Worksheet A. This is accomplished through Worksheet A-7.

Submit with the cost report copies of any workpapers used to compute the reclassifications effected on this worksheet.

Identify any reclassifications made as salary and other costs in the appropriate column. However, when transferring to Worksheet A, transfer the sum of the two columns.

**NOTE:** Salary amounts paid to an employee in addition to direct salaries or wages (such as paid vacation, holiday, sick, other paid-time-off (PTO), severance, and bonus pay) must be reported on Worksheet A, column 1, of the same cost center as the employees' direct salaries and wages. For example, if the indirect salaries (such as paid vacation, holiday, sick, other paid-time-off (PTO), severance, and bonus pay) are reported in the "Employee Benefits" cost center or in column 2 of the cost where the related direct salary and wages are reported, a reclassification entry must be made to reclassify them to column 1 of the cost center(s) in which the related direct salaries and wages are reported.

If there is any reclassification to general service cost centers for compensation of provider-based physicians, make the appropriate adjustment for RCE limitation on Worksheet A-8-2. (See §4018.)

Examples of reclassifications that may be needed are:

- Reclassification of related organization rent expenses included in the A&G cost center which are applicable to lines 1 and 2 of Worksheet A. See instructions for Worksheet A-8-1 for treatment of rental expenses for related organizations.
- Reclassification of interest expense included on Worksheet A, column 3, line 113, which is applicable to funds borrowed for A&G purposes (e.g., operating expenses) or for the purchase of buildings and fixtures or movable equipment. Allocate interest on funds borrowed for operating expenses with A&G expenses.
- Reclassification of employee benefits expenses (e.g., employee health service, hospitalization insurance, workers compensation, employee group insurance, social security taxes, unemployment taxes, annuity premiums, past service benefits, and pensions) included in the A&G cost center.
- Reclassification of utilization review cost applicable to the hospital-based SNF to A&G costs. If the scope of the utilization review covers the entire population, reclassify the total allowable utilization review cost included on Worksheet A, column 3, line 114. However, if the scope of the utilization review in the hospital-based SNF covers only Medicare patients or Medicare and title XIX patients, only the allowable utilization review costs included on Worksheet A, column 3, line 114 (other than the compensation of physicians for their personal services on utilization review committees), are reclassified to A&G costs.

The appropriate adjustment for physicians' compensation is made on Worksheet A-8. For further explanations concerning utilization review in skilled nursing facilities, see CMS Pub. 15-1, chapter 21, §2126.2.

- Reclassification of any dietary cost included in the dietary cost center which is applicable to the cafeteria, nursery, and to any other cost centers such as gift, flower, coffee shops, and canteen.
- Reclassification of any direct expenses included in the central service and supply cost center which are directly applicable to other cost centers such as intern-resident service, intravenous therapy, and oxygen (inhalation) therapy.
- Reclassification of any direct expenses included in the laboratory cost center which are directly applicable to other cost centers such as whole blood and packed red blood cells or electrocardiology.
- Reclassification of any direct expenses included in the radiology-diagnostic cost center which are directly applicable to other cost centers such as radiology-therapeutic, radioisotope, or electrocardiology.
- When you purchase services (e.g., physical therapy) under arrangements for Medicare patients but do not purchase such services under arrangements for non-Medicare patients, your books reflect only the cost of the Medicare services. However, if you do not use the grossing up technique for purposes of allocating overhead and if you incur related direct costs applicable to both Medicare and non-Medicare patients (e.g., paramedics or aides who assist a physical therapist in performing physical therapy services), reclassify the related costs on Worksheet A-6 from the ancillary service cost center. Allocate them as part of A&G expense. However, when you purchase services that include performing administrative functions such as completion of medical records, training, etc., as described in CMS Pub. 15-1, chapter 14, §1412.5, the overall charge includes the provision of these services. Therefore, for cost reporting purposes, these related services are NOT reclassified to A&G.
- If a beneficiary receives outpatient renal dialysis for an extended period of time and you furnish a meal, the cost of this meal is not an allowable cost for Medicare. Make an adjustment on Worksheet A-8. However, the dietary counseling cost attributable to a dialysis patient is an allowable cost. Reclassify this cost from the dietary cost center, line 10, to the renal dialysis cost center, line 74.
- When interns and residents are employed to replace anesthesiologists, you must reclassify the related direct costs from the intern and resident cost center to the anesthesiology cost center. (See 49 FR 208 (January 3, 1984).)

**NOTE:** These interns and residents do not qualify for the IME adjustment and must be excluded for the intern and resident FTE for that purpose. (See 42 CFR 412.113(c).)

- If you incur costs for an unpaid guarantee for emergency room physician availability, attach a separate worksheet showing the computation of the necessary reclassification. (See CMS Pub. 15-1, chapter 21, §2109.)
- Reclassification of the costs of malpractice insurance premiums, self-insurance fund contributions, and uninsured malpractice losses incurred either through deductible or coinsurance provisions, as a result of an award in excess of reasonable coverage limits, or as a government provider to the A&G cost center.