

3612. WORKSHEET A-7 - ANALYSIS OF CAPITAL ASSETS

This worksheet consists of four parts:

- Part I - Analysis of Changes in Old Capital Asset Balances
- Part II - Analysis of Changes in New Capital Asset Balances
- Part III - Computation of Old Capital for Insurance, Taxes, and Other Capital-Related Costs.
- Part IV - Reconciliation of amounts from worksheet A, column 2, lines 1 through 4.

See the instructions for Worksheet A for a definition of old and new capital. **A non-PPS provider does not have to complete Part I.** For cost reporting periods beginning on and after October 1, 2001, hospitals receiving 100 percent Federal prospective payment for capital are no longer required to complete Parts III and IV of this Worksheet if worksheet S-2, column 2, line 36 = "Y". However, Parts I through IV must be completed in all situations for cost reporting periods ending on or after February 29, 2004. (2/29/2004) Additionally, complete parts III and IV for cost reporting periods ending on or after April 30, 2005. (4/30/2005)

NOTE: Include assets which are directly allocated to the provider from the home office or related organization and the related other capital costs in Parts I, II, and III of this worksheet.

The intent of Worksheet A-7, Parts I and II, is to reflect assets which relate to the hospital. However, examine the cost finding elections made at the time you submit the cost report to consider the cost finding treatment of SNF, HHA, hospice, subproviders, CORF, CMHC, the physician office building, and any other nonallowable cost centers.

Where you have elected to cost find any of these areas through the cost report, related assets must be included in Worksheet A-7, Parts I and II, as appropriate, to properly allocate the related insurance, taxes, etc. This cost finding treatment must comply with the consistency rule in 42 CFR 412.302(d).

3612.1 Part I - Analysis of Changes in Old Capital Asset Balances and Part II - Analysis of Changes in New Capital Asset Balances.--These parts enable the Medicare program to analyze the changes that occurred in your capital asset balances during the current reporting period. Complete this worksheet only once for the entire hospital complex (certified and non-certified components). However, only include in Parts I and II assets that relate to hospital services or are commingled and cannot be separated.

Columns 1 and 6--Enter the balance recorded in your books of accounts at the beginning of your cost reporting period (column 1) and at the end of your cost reporting period (column 6). You must submit a reconciliation demonstrating that the sum of Parts I and II, column 6, line 9, agree with the total fixed assets on Worksheet G, plus any directly allocated assets from the home office or related organization, less any assets not allocated through the cost finding method on Worksheet B. Include fully depreciated assets still used for patient care.

Columns 2 through 4--Enter the cost of capital assets acquired by purchase in column 2 and the fair market value at date acquired of donated assets in column 3. Enter the sum of columns 2 and 3 in column 4.

NOTE: The amounts in Part I, column 2, represent transfers from obligated capital and/or a transfer of assets from a change of ownership.

Column 5--Enter the cost or other approved basis of all capital assets sold, retired, or disposed of in any other manner during your cost reporting period.

The sum of columns 1 and 4 minus column 5 equals column 6.

Line Descriptions

Line 8--If you have included in lines 1 through 6 of Parts I and II any of the following, enter those amounts on line 8.

- o Capitalized a lease in accordance with generally accepted accounting principles (GAAP) and included it in the assets reported on Worksheet G,
- o Excess of amounts paid for the acquisition of assets over their fair values or the amount recognized under §2314 of DEFRA for transactions after July 18, 1984, or
- o Construction in progress at the end of the cost reporting period.

Line 9--Enter line 7 minus line 8.

3612.2 Part III - Reconciliation of Capital Cost Centers--Use this part to allocate allowable insurance, taxes, and other capital expenditures (not including depreciation, lease, and interest expense) to the capital-related cost centers. This part also summarizes the amounts in the capital-related cost centers on Worksheet A, lines 1 through 4, column 7.

Lines 1 through 4--In accordance with 42 CFR 412.302(b)(4), allowable costs for other capital-related expenses (including but not limited to taxes, insurance, and license and royalty fees on depreciable assets) are apportioned to old capital by applying the ratio of the hospital's gross old asset value to total asset value in each cost reporting period. These lines compute the appropriate gross asset ratios used in allocating other capital-related costs in columns 5 through 7.

Line 5--Enter the sum of lines 1 through 4. Column 4 must equal 1.000000.

Columns 1 through 4, Lines 1 through 4--Use these columns and lines to compute ratios of new and old gross asset values to total gross asset values. Use these ratios on columns 5 through 7 to allocate other capital costs (insurance, taxes, and other) to the capital-related cost center lines (Worksheet A, lines 1 through 4).

Column 1--Enter on line 1 your gross asset value (asset value before accumulated depreciation) for old buildings and fixtures (which also includes old land and land improvements). Enter on line 2 your gross asset value for old movable equipment. Enter on line 3 your gross asset value for new buildings and fixtures (which also includes new land and land improvements). Enter on line 4 your gross asset value for new movable equipment.

NOTE: Part III, column 1, line 5, must agree with the sum of Parts I and II, column 6, line 7.

Column 2--Enter in column 2, line as appropriate, any amounts that you have included in column 1, lines 1 through 4, and which were reported on line 8 of Parts I and II, as appropriate.

Column 3--Enter column 1 less column 2.

Column 4--Enter on lines 1 through 4 the amount in column 3, lines as applicable, divided by the amount in column 3, line 5. Round the resulting ratio to six decimal places.

Columns 5 through 7--These columns provide for the allocation of other capital-related costs (taxes, insurance, and other) to the capital-related cost center lines (Worksheet A, lines 1 through 4).

Line 5--Enter in column 5 capital expenditures relating to insurance. Enter in column 6 capital expenditures relating to State and local taxes on property and equipment. Enter in column 7 other capital expenditures (not including taxes, insurance, depreciation, lease, and interest expense). Enter in column 8 the sum of the amounts reported in columns 5 through 7.

Lines 1 through 4--Apply the ratios developed in column 4, line as applicable, to allocate the other capital costs reported in line 5.

Column 8--Line 5 must be equal to or less than the amount on Worksheet A, line 90, column 3. The amount reported becomes the reclassification entry on Worksheet A, column 4 which will zero-out the balance on line 90. If you directly assign the capital related costs, see Part IV for proper disclosure of these costs.

Columns 9 through 15--These lines summarize the amounts in the capital-related cost centers (Worksheet A, lines 1 through 4, column 7).

NOTE: The amount entered in these columns must be net of reclassifications and adjustments identified on Worksheets A-6, A-8 and A-8-1.

Column 9--Enter the amount reported in Part IV below, from column 9, lines 1 through 4, adjusted by the amounts identified on Worksheets A-6, A-8 and A-8-1.

Column 10--Enter the amount reported in Part IV, column 10, lines 1 through 4, relating to capital-related lease expense, adjusted by the amounts identified on Worksheets A-6, A-8, and A-8-1. (See HCFA Pub. 15-I, §2806.1.) Report insurance, taxes, and license and royalty fees associated with leased assets in columns 12, 13, and 14 of this worksheet, respectively.

Column 11--Enter the amount reported in Part IV, column 11, lines 1 through 4, relating to capital-related interest expense, adjusted by the amounts identified on Worksheets A-6, A-8, and A-8-1

Column 12--Enter the amount from column 5 plus any additional amounts reported in Part IV, column 12 adjusted by amounts identified on Worksheets A-6, A-8, and A-8-1.

Column 13--Enter the amount from column 6 plus any additional amounts reported in Part IV, column 13 adjusted by amounts identified on Worksheets A-6, A-8, and A-8-1.

Column 14--Enter the amount from column 7 plus any additional amounts reported in Part IV, column 14 adjusted by amounts identified on Worksheets A-6, A-8, and A-8-1.

Column 15--Enter the sum of columns 9 through 14. The amounts from column 15, lines 1 through 4, must equal the amounts on Worksheet A, column 7, lines 1 through 4.

3612.3 Part IV - Reconciliation of Amounts From Worksheet A, Column 2, Lines 1 Through 4.--The purpose of this worksheet is to segregate and specifically identify the depreciation and capital related costs which are directly assigned to Worksheet A, column 2, lines 1 through 4.

Columns 9 through 14--Enter in columns 9 through 14, the depreciation and other capital related costs. (Do not report in columns 12 through 14 any amounts previously reported in Part III, columns 5 through 7). The sum of columns 9 through 14 of this part, which is reported in column 15, lines 1 through 4 must agree with the amounts reported on Worksheet A, column 2, lines 1 through 4.