

## 3613. WORKSHEET A-8 - ADJUSTMENTS TO EXPENSES

In accordance with 42 CFR 413.9(c)(3), if your operating costs include amounts not related to patient care, these amounts are not reimbursable under the program. If your operating costs include amounts flowing from the provision of luxury items or services (i.e., those items or services substantially in excess of or more expensive than those generally considered necessary for the provision of needed health services), such amounts are not allowable.

This worksheet provides for the adjustments in support of those listed on Worksheet A, column 6. These adjustments, required under the Medicare principles of reimbursement, are made on the basis of cost or amount received (revenue) only if the cost (including direct cost and all applicable overhead) cannot be determined. If the total direct and indirect cost can be determined, enter the cost. Submit with the cost report a copy of any work papers used to compute a cost adjustment. Once an adjustment to an expense is made on the basis of cost, you may not determine the required adjustment to the expense on the basis of revenue in future cost reporting periods. Enter the following symbols in column 1 to indicate the basis for adjustment: "A" for cost or "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 adjustments entered on this worksheet include (1) those needed to adjust expenses to reflect actual expenses incurred; (2) those items which constitute recovery of expenses through sales, charges, fees, 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.

If an adjustment to an expense affects more than one cost center, record the adjustment to each cost center on a separate line on Worksheet A-8.

**NOTE:** When adjustments affect capital, they must be appropriately split between old and new capital. If these adjustments affect other capital-related costs, indicate in column 5 the capital related cost category shown on Worksheet A-7, Part III, columns 9 through 14.

Enter additional costs as positive amounts. Enter reductions of cost as a negative number. Enter a net total (if a reduction of cost) as a negative number.

Line Descriptions

Lines 1 through 5--Enter the investment income to be applied against interest expense. (See HCFA Pub. 15-I, §202.2 for an explanation.)

Line 9--For patient telephones, make an adjustment on this line or establish a nonreimbursable cost center. When this line is used, base the adjustment on cost. Revenue is not used. (See HCFA Pub. 15-I, §2328.)

Line 12--Enter the total provider-based physician adjustments for personal patient care services and RCE limitations. Obtain this amount from Worksheet A-8-2, column 18, sum of all lines.

**NOTE:** Make the adjustment to Worksheet A, column 6 for each applicable cost center from Worksheet A-8-2, column 18, line as appropriate.

Line 14--Obtain this amount from section A, column 6 of Worksheet A-8-1. **NOTE** that Worksheet A-8-1 represents the detail of the various cost centers on Worksheet A which must be adjusted.

Line 23--Enter the cash received from the imposition of interest, finance, or penalty charges on overdue receivables. Use this income to offset the allowable administration and general costs. (See HCFA Pub. 15-I, §2110.2.)

Line 24--Enter the interest expense imposed by the intermediary on Medicare overpayments. Also, enter interest expense on borrowing made to repay Medicare overpayments.

Line 25--Enter, if applicable, the sum of the amounts from Worksheet A-8-3, Part VII, line 76 for respiratory therapy services prior to April 10, 1998 and Worksheet A-8-4, line 69 for services on and after April 10. For cost reporting periods beginning on or after April 10, 1998 use A-8-4 only. For reporting the adjustment for providers within the complex, subscript this line in accordance with the prescribed subscripting instructions on Worksheet A-8-4, line 69.

Line 26--Enter, if applicable, the sum of the amounts from Worksheet A-8-3, Part VII, line 76 for physical therapy services prior to April 10, 1998 and Worksheet A-8-4, line 69 for services on and after April 10, 1998. For cost reporting periods beginning on or after April 10, 1998 use Worksheet A-8-4 only. (See line 25 above for proper subscripting of this line)

Line 27--Obtain this amount from Worksheet A-8-3, Part VII, line 77, as appropriate. If you have multiple hospital-based HHAs, subscript this line to accommodate the adjustment for each HHA. This line is not applicable for reasonable cost adjustments to therapy services on and after April 10, 1998.

Line 28--This line pertains to the hospital-based SNF only. When the utilization review covers only Medicare patients or Medicare and title XIX patients, allocate 100 percent of the reasonable compensation paid to the physicians for their services on utilization review committees to the health care programs. Include the amount attributable to Medicare and titles V and XIX patients on Worksheet D-1, Part III, line 81. Apportion all other allowable costs applicable to utilization review which cover only health care program patients among all users of the hospital-based SNF. Reclassify such other costs on Worksheet A-6. Enter the physicians' compensation for service on utilization review committees which cover only health care program patients in the hospital-based SNF. The amount entered equals the amount shown on Worksheet A, column 6, line 89. (See HCFA Pub. 15-I, §2126.2.) If the utilization review costs pertain to more than one program, the sum of the amounts reported on Worksheet D-1 or the amount entered on Worksheet E-2, column 1, line 7 (if Worksheet S-2, line 29 is AY@) (9/96) must equal the amount adjusted on Worksheet A-8.

Lines 29 through 32--When depreciation expense computed in accordance with the Medicare principles of reimbursement differs from depreciation expenses per your books, enter the difference on lines 29 through 32, as applicable. Use lines 29 and 30 for old capital costs and lines 31 and 32 for new capital costs. (See HCFA Pub. 15-I, chapter 1.) Personal use of assets requires adjustment to depreciation expense, e.g., automotive used 50% for business and 50% personal.

Line 33--This adjustment is required for salaries and fringe benefits paid to nonphysician anesthetists reimbursed on a fee schedule. (See the instructions for Worksheet A, line 20.)

Line 34--Sections 1861(s)(2)(K), 1842(b)(6)(C), and 1842(b)(12) of the Act provide for coverage of and separate payment for services performed by a physician assistant. The physician assistant is an employee of the hospital and payment is made to the employer of the physician assistant. Make

an adjustment on Worksheet A-8 for any payments made directly to the physician assistant for services furnished on or after January 1, 1987. This avoids any duplication of payments

Line 35--Enter, if applicable, the sum of the amounts from Worksheet A-8-3, Part VII, line 76 for occupational therapy services prior to April 10, 1998 and Worksheet A-8-4, line 69 for services on and after April 10. For cost reporting periods beginning on or after April 10, 1998, use A-8-4 only. (See line 25 above for proper subscripting of this line.)

Line 36--Enter, if applicable, the sum of the amounts from Worksheet A-8-3, Part VII, line 76 for speech pathology services prior to April 10, 1998 and Worksheet A-8-4, line 69 for services on and after April 10. For cost reporting periods beginning on or after April 10, 1998, use A-8-4 only. (See line 25 above for proper subscripting of this line.)

Lines 37 - 49--Enter any additional adjustments which are required under the Medicare principles of reimbursement. Label the lines appropriately to indicate the nature of the required adjustments. If the number of blank lines is not sufficient, subscript lines 37 through 49. The grossing up of costs in accordance with provisions of CMS Pub. 15-I, §2314 is an example of an adjustment entered on these lines and is explained below.

If you furnish ancillary services to health care program patients under arrangements with others but simply arrange for such services for non-health care program patients and do not pay the non-health care program portion of such services, your books reflect only the costs of the health care program portion. Therefore, allocation of indirect costs to a cost center which includes only the cost of the health care program portion results in excessive assignment of indirect costs to the health care programs. Since services were also arranged for the non-health care program patients, allocate part of the overhead costs to those groups.

In the foregoing situation, do not allocate indirect costs to the cost center unless your intermediary determines that you are able to gross up both the costs and the charges for services to non-health care program patients so that both costs and charges for services to non-health care program patients are recorded as if you had provided such services directly. See the instructions for Worksheet C, Part I for grossing up of your charges.

Meals furnished by you to an outpatient receiving dialysis treatment also require an adjustment. These costs are nonallowable for title XVIII reimbursement. Therefore, the cost of these meals must be adjusted.

In accordance with CMS Pub. 27, §501, compensation paid to a physician for RHC services rendered in a hospital-based RHC is cost reimbursed. Where the physician agreement compensates for RHC services as well as non-RHC services, or services furnished in the hospital, the related compensation must be eliminated on Worksheet A-8 and billed to the Part B carrier. If not specified in the agreement, a time study must be used to allocate the physician compensation.

If the hospital performs ESRD services and costs are reported on either lines 57, 64, or both, these costs should include the cost of the drugs Epoetin and Aranesp. Do not report the cost of these drugs claimed in any other cost center. These costs will be removed later on Worksheet B-2 (10/00).

If the hospital is paying membership dues to an organization which perform lobbying and political activities, the portion of the dues associated with these non-allowable activities must be removed from costs.

Line 50--Enter the sum of lines 1 through 49. Transfer the amounts in column 2 to Worksheet A, column 6, line as appropriate.