

Column 4--Enter on lines 1 and 2 the amount in column 3, lines as applicable, divided by the amount in column 3, line 3. 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 and 2).

Line 3--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 and 2--Apply the ratios developed in column 4, line as applicable, to allocate the other capital costs reported in line 3.

Column 8--Line 3 must be equal to or less than the amount on Worksheet A, line 3, column 3. The amount reported becomes the reclassification entry on Worksheet A, column 4, which will zero-out the balance on line 3. If you directly assign other capital-related costs, see Part II 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 and 2, 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 II above, from column 9, lines 1 and 2, adjusted by the amounts identified on Worksheets A-6, A-8 and A-8-1.

Column 10--Enter the amount reported in Part II, column 10, lines 1 and 2, relating to capital-related lease expense, adjusted by the amounts identified on Worksheets A-6, A-8, and A-8-1. (See CMS Pub. 15-1, chapter 28, §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 II, column 11, lines 1 and 2, 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 II, 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 II, 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 II, 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 and 2, must equal the amounts on Worksheet A, column 7, lines 1 and 2.

#### 4016. 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 identified as impacting capital related building and fixtures, or capital related movable equipment. 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 3--Enter the investment income to be applied against interest expense. (See CMS Pub. 15-1, chapter 2, §202.2, for an explanation.)

Line 7--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 CMS Pub. 15-1, chapter 23, §2328.)

Line 10--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 12--Obtain this amount from section A, column 6 of Worksheet A-8-1.

**NOTE:** Worksheet A-8-1 represents the detail of the various cost centers on Worksheet A which must be adjusted.

Line 19--For each NAHE program on Worksheet A, line 20, and its subscripts, and Worksheet A, line 23, and its subscripts, enter the revenue adjustments (for tuition, fees, books, etc.) to be applied against total allowable costs that are directly related to the approved NAHE activities. Subscript this line to separately report the revenue offset for each NAHE program reported on line 20 and line 23. (See CMS Pub. 15-1, chapter 4, §414, and 42 CFR 413.85(d)(2)(i).)

Line 21--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 CMS Pub. 15-1, chapter 21, §2110.2.)

Line 22--Enter the interest expense imposed by the contractor on Medicare overpayments. Also, enter interest expense on borrowing made to repay Medicare overpayments.

Line 23--Enter, if applicable, the amount from Worksheet A-8-3, line 65.

Line 24--Enter, if applicable, the amount from Worksheet A-8-3, line 65.

Line 25--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. 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 114. (See CMS Pub. 15-1, chapter 21, §2126.2.) If the utilization review costs pertain to more than one program, the amount entered on Worksheet E-2, column 1, line 7, must equal the amount adjusted on Worksheet A-8.

Lines 26 and 27--When depreciation expense computed in accordance with the Medicare principles of reimbursement differs from depreciation expenses per your books, enter the difference on lines 26 and 27, as applicable. Use line 26 capital related buildings and fixtures costs and line 27 for new capital related movable equipment costs. Personal use of assets requires adjustment to depreciation expense, e.g., automotive used 50 percent for business and 50 percent personal.

Line 28--This adjustment is required for salaries and fringe benefits paid to non-physician anesthetists reimbursed on a fee schedule. (See the instructions for Worksheet A, line 19.)

Line 29--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 rendered. This avoids any duplication of payments.

Line 30--Enter, if applicable, the amount from Worksheet A-8-3, line 65, for occupational therapy services rendered.

Line 31--Enter, if applicable, the amount from Worksheet A-8-3, line 65, for speech pathology services rendered.

Line 32--For CAHs, where applicable in accordance with ARRA of 2009, section 4102, remove the current year depreciation expense associated with purchased assets for which the total cost or remaining un-depreciated cost was reimbursed either in the current or prior cost reporting period as EHR incentive payment if such depreciation was included on Worksheet A, line 2 (capital-related movable equipment), or any other line. This includes the depreciation expense for EHR assets purchased in the current cost reporting period, as well as depreciation expense related to the remaining net book value (i.e., un-depreciated basis), of EHR assets purchased in prior cost reporting periods which were not fully depreciated at the beginning of the current cost reporting period.

Also, use this line to remove that portion of the annual rent/lease expense applicable to EHR assets leased under a virtual purchase lease which equals the depreciation expense for this asset since the total cost of the asset (or the un-depreciated cost if the lease was initiated in a prior cost reporting period), was claimed as EHR incentive payment. Also remove any portion of the total

rental charge which exceeds the actual cost of ownership of the EHR asset. (See CMS Pub. 15-1, chapter 1, §110.B.2.) In accordance with CMS Pub. 15-1, chapter 1, §110.B.2, the actual cost of ownership of an asset leased under a virtual purchase lease includes not only the depreciation expense, but insurance and interest as well. For example, if the depreciation for the asset is \$50,000 per year, the insurance is \$3,000 per year, the interest is \$10,000 per year, and the rental charge is \$70,000 per year, the rental expense must be limited to the cost of ownership which in this example is \$63,000. Since the adjustment to limit the rent expense to the cost of ownership is \$7,000, the actual adjustment on this line will be to reduce the allowable rent expense for this EHR asset by \$57,000 (i.e., \$50,000 depreciation portion and \$7,000 excess rental charge over the cost of ownership).

Lines 33 through 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 33 through 49. The grossing up of costs in accordance with provisions of CMS Pub. 15-1, chapter 23, §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 contractor 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. 100-04, chapter 9, §40, 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 contractor. 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 line 74, 94, or both, these costs should include the cost of all ESAs. Do not report the cost of these drugs claimed in any other cost center. These costs will be removed later on Worksheet B-2.

If the hospital pays membership dues to an organization that performs lobbying and political activities, the portion of the dues associated with these non-allowable activities must be removed from costs.

Line 30.99 (hardcoded)--When the hospital enters into a contractual arrangement with a hospice for the use of general inpatient routine beds, enter the amount received under contract from the hospice. This amount must be used to offset general inpatient routine care costs on Worksheet A, line 30.

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