

3617. WORKSHEET B, PART I - COST ALLOCATION - GENERAL SERVICE COSTS
AND WORKSHEET B-1 - COST ALLOCATION - STATISTICAL BASIS

Base cost data on an approved method of cost finding and on the accrual basis of accounting except where government institutions operate on a cash basis of accounting. (See 42 CFR 413.24(a).) Cost data based on such basis of accounting is acceptable subject to appropriate treatment of capital expenditures. Cost finding is the process of recasting the data derived from the accounts ordinarily kept by you to ascertain costs of the various types of services rendered. It is the determination of these costs by the allocation of direct costs and proration of indirect costs. The various cost finding methods recognized are outlined in 42 CFR 413.24. Worksheets B, Part I, and B-1 have been designed to accommodate the stepdown method of cost finding. Modify these worksheets to accommodate other methods of cost finding approved prior to October 1, 1991.

The provider can elect to change the order of allocation and/or allocation statistics, as appropriate, for the current cost reporting period if a request is received by the intermediary, in writing, 90 days prior to the end of that reporting period. The intermediary has 60 days to make a decision and notify the provider of that decision or the change is automatically accepted. The change must be shown to more accurately allocate the overhead or should demonstrate simplification in maintaining the changed statistics. If a change in statistics is requested, the provider must maintain both sets of statistics until an approval is made. If both sets are not maintained and the request is denied, the provider reverts back to the previously approved methodology. The provider must include with the request all supporting documentation and a thorough explanation of why the alternative approach should be used.

As an alternative approach to the cost finding methods identified in HCFA Pub. 15-I, §2306, the provider may request a simplified cost allocation methodology. This methodology reduces the number of statistical bases a provider maintains. It may result in reducing Medicare reimbursement. A comparison is recommended if the possible loss reimbursement is surpassed by the reduced costs of maintaining voluminous statistics. The following statistical bases must be used for purposes of allocating overhead cost centers. There can be no deviation of the prescribed statistics and it must be utilized for all the following cost centers.

Buildings and Fixtures	Square Footage
Movable Equipment	Square Footage
Maintenance and Repairs	Square Footage
Operation of Plant	Square Footage
Housekeeping	Square Footage
Employee Benefits	Salaries
Cafeteria*	Salaries
Administrative and General	Accumulated Costs
Laundry and Linen	Patient Days
Dietary**	Patient Days
Social Service	Patient Days
Maintenance of Personnel	Eliminated
Nursing Administration	Nursing Salaries
Central Services and Supply	Costed Requisitions
Pharmacy	Costed Requisitions
Medical Records and Library	Gross Patient Revenue
Nursing School*	Assigned Time
Interns and Residents	Assigned Time
Paramedical Education	Assigned Time
Nonphysician Anesthetists	100 percent to Anesthesiology

NOTE: If you are paid on a prospective payment basis, the capital consistency rules will apply. The election of the alternative method discussed above can not result in inappropriately shifting costs.

*Contract labor is not included and is not grossed up.

**If this is a meals on wheels program, a Worksheet A-8 adjustment is required.

Once the simplified method is elected, the provider must continue to use this method for no less than 3 years, unless a change of ownership occurs.

In addition, the following overhead cost center statistics can be substituted for the recommended statistics printed on Worksheet B-1. The 90-day and 60-day rule discussed above still applies, as well as capital consistency.

Housekeeping	Square Footage
Cafeteria	FTEs
Maintenance of Personnel	Eliminated and moved to A&G
Medical Records	Gross Patient Revenue

Worksheet B, Part I, 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 your organization, other general service cost centers, inpatient routine service cost centers, ancillary service cost centers, outpatient service cost centers, other reimbursable cost centers, special purpose cost centers, and nonreimbursable cost centers. Obtain the total direct expenses from Worksheet A, column 7.

All direct graduate medical education costs (inpatient and outpatient in approved programs) are reimbursed based on a specific amount per resident as computed on Worksheet E-3, Part IV. Costs applicable to interns and residents must still be computed in columns 22 and 23. These costs are, however, eliminated from total costs in column 26, unless you qualify for the exception. See the instructions for column 26 for a more detailed explanation.

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, Part I. To facilitate the allocation process, the general format of Worksheets B, Part I, and B-1 is identical. Each general service cost center has the same line number as its respective column number across the top. Also, the column and line numbers for each general service cost center are identical on the two worksheets. In addition, the line numbers for each routine service, ancillary outpatient service, other reimbursable, special purpose, and nonreimbursable cost center are identical on the two worksheets. The cost centers and line numbers are also consistent with Worksheet A. If you have subscribed any lines on Worksheet A, subscript the same lines on these worksheets.

NOTE: General service columns 1 through 24 and subscripts thereof must be consistent on Worksheets B, Parts I, II, and III; H-5, Part I, J-1, Part I; and L-1, Part I.

The statistical basis shown at the top of each column on Worksheet B-1 is the recommended basis of allocation of the cost center indicated. If a different basis of allocation is used, you must indicate the basis of allocation actually used at the top of the column *subject to the provisions of PRM-1, section 2313*.

Most cost centers are allocated on different statistical bases. However, for those cost centers with the same basis (e.g., square feet), the total statistical base over which the costs are allocated differs

because of the prior elimination of cost centers that have been closed.

When closing the general service cost centers, first close the cost centers that render the most services to and receive the least services from other cost centers. List the cost centers in this sequence from left to right on the worksheets. However, your circumstances 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** that the general service cost centers are not allocated to provider-based physician (PBP) clinical lab service (line 45) because this cost center is treated as a purchased service under arrangements provided only to program beneficiaries.

If the amount of any cost center on Worksheet A, column 7, has a credit balance, show this amount as a credit balance on Worksheet B, Part I, column O. Allocate the costs from the applicable overhead cost centers in the normal manner to the cost center showing a credit balance. After receiving costs from the applicable overhead cost centers, if a general service cost center has a credit balance at the point it is allocated, do not allocate the general service cost center. Rather, enter the credit balance in parentheses on line 102 as well as on the first line of the column and on line 103. This enables column 27, line 103, to crossfoot to columns 0 and 5A, line 103. After receiving costs from the applicable overhead cost centers, if a revenue producing cost center has a credit balance on Worksheet B, Part I, column 27, do not carry forward a credit balance to any worksheet.

On Worksheet B-1, enter on the first line in the column of the cost center being allocated the total statistical base over which the expenses are allocated (e.g., in column 1, old capital-related cost - building and fixtures, enter on line 1 the total square feet of the building on which depreciation was taken). Use accumulated cost for allocating administrative and general expenses.

Do not include any statistics related to services furnished under arrangements except if:

- o Both Medicare and non-Medicare costs of arranged for services are recorded in your records; or
- o Your intermediary determines that you are able to (and do) gross up the costs and charges for services to non-Medicare patients so that both cost and charges are recorded as if you had furnished such services directly to all patients. (See CMS Pub. 15-I, §2314.)

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

Enter on line 103 of Worksheet B-1 the total expenses of the cost center being allocated. Obtain this amount from Worksheet B, Part I from the same column and line number used to enter the statistical base on Worksheet B-1. (In the case of old capital-related costs - buildings and fixtures, this amount is on Worksheet B, Part I, column 1, line 1.)

Divide the amount entered on line 103 by the total statistics entered in the same column on the first

line. Enter the resulting unit cost multiplier on line 104. Round the unit cost multiplier to six decimal places.

Multiply the unit cost multiplier by that portion of the total statistics applicable to each cost center receiving the services rendered. Enter the result of each computation on Worksheet B, Part I, in the corresponding column and line. (See §3600.1 for rounding standards.)

After applying the unit cost multiplier to all the cost centers receiving the services rendered, the total cost (line 103) of all the cost centers receiving the allocation on Worksheet B, Part I, must equal the amount entered on the first line. Perform the preceding procedures for each general service cost center. Complete the column for each cost center on both Worksheets B, Part I, and B-1 before proceeding to the column for the next cost center.

If a general service cost center has a credit balance at the point it is allocated on Worksheet B, Part I, do not allocate the general service cost centers. However, display the statistic departmentally, but do not calculate a unit cost multiplier for lines 104, 106, and 108 on Worksheet B-1. Use lines 105 and 106 of Worksheet B-1 in conjunction with the allocation of old capital-related costs on Worksheet B, Part II. Use lines 105 and 106 of Worksheet B-1 in conjunction with the allocation of new capital-related costs on Worksheet B, Part III. Complete lines 105 and 107 for all columns after Worksheets B, Part I, and B-1 are completed and the amount of direct and indirect capital-related cost is determined on Worksheet B, Parts II and III, column 4a. Use lines 106 and 108 for all columns in allocating the direct and indirect capital-related cost on Worksheet B, Parts II and III, respectively. Compute the unit cost multiplier (after the amounts entered on lines 105 and 107 have been determined) by dividing the capital-related costs recorded on lines 105 and 107 by the total statistics entered in the same column on the first line. Round the unit cost multipliers to six decimal places. (See instructions for Worksheet B, Parts II and III, for the complete methodology and exceptions.)

Since capital-related cost, non-physician anesthetists, and approved education programs are not included in the operating cost per discharge, columns 20 through 24 are shaded on Worksheet B, Parts II and III, for all lines except 20 through 24, 101, 102, and 103. These are the only lines and columns where an approved educational cost center can be shown. Use line 101 of Worksheet B-1, columns 20 through 24, for this purpose in the allocation of capital-related cost on Worksheet B, Parts II and III. Use the statistic on line 101 together with the statistics on lines 20 through 24 of Worksheet B-1 to allocate columns 20 through 24 of Worksheet B, Parts II and III. (Do not use line 101 to allocate costs on Worksheet B, Part I.) The statistic for line 101 is the sum of the statistics on lines 25 through 71 and 82 through 100 on Worksheet B-1 for the same column.

Since intern and resident costs are segregated into two cost centers, properly allocate general service costs applicable to each center. A listing of general service cost centers which may be applicable and the appropriate allocation to the separate cost centers for the intern and resident costs is presented below.

<u>Cost Center</u>	<u>Salary & Salary Related Fringe Benefits</u>	<u>Other</u>
Old Capital Related Costs - Bldgs. & Fixtures		X
Old Capital Related Costs - Movable Equipment		X
New Capital Related Costs - Bldgs. & Fixtures		X
New Capital Related Costs - Movable Equipment		X

Employee Benefits	X	X
Administrative and General	X	X
Maintenance and Repair		X
Operation of Plant		X
Housekeeping		X
Cafeteria	X	X
Maintenance of Personnel		X

After the costs of the general service cost center have been allocated on Worksheet B, Part I, enter in column 25 the sum of the costs in columns 5a through 24 for lines 25 through 102. Once overhead is allocated to these cost centers, they are closed and the costs are not further allocated to the revenue producing cost centers.

Since costs applicable to direct graduate medical education costs (inpatient and outpatient in approved programs) are reimbursed based on a specific amount per resident, exclude these costs from the total costs in column 27. Enter on each line in column 26 the sum of the amounts shown on each line in columns 22 and 23. If you qualify for the exception, enter only the amounts from Worksheet B-2.

In addition, when an adjustment to expenses is required after cost allocation, enter the amount applicable to each cost center in column 26 of Worksheet B, Part I. Corresponding adjustments to Worksheet B, Parts II and III, may be applicable for capital-related cost adjustments. However, if a capital-related cost adjustment was not made prior to October 1, 1991, then the rules of capital consistency prohibit an adjustment during the transition period. (See 42 CFR 412.302(d).) Submit a supporting worksheet showing the computation of the adjustments in addition to completing Worksheet B-2.

NOTE: The amount reported in column 26 must equal both the sum of the amounts shown in columns 22 and 23 and the amount on Worksheet B-2, unless you qualify for the exception. See the instructions for column 26 for a more detailed explanation.

Other examples of adjustments to expenses which may be required after cost allocation are (1) the allocation of available costs between the certified portion and the non-certified portion of a distinct part provider, and (2) costs attributable to unoccupied beds in a hospital with a restrictive admission policy. (See CMS Pub. 15-I, §§2342-2344.3.)

After the adjustments have been made on Worksheet B, Part I, column 26, adjust the amounts in column 25 by the amounts in column 26, and extend the net balances to column 27 for each line. The total costs entered in column 27, line 103 must equal the total costs entered in column 0, line 103.

Transfer the totals in column 27, lines 25 through 36 (inpatient routine service cost centers), lines 37 through 59 (ancillary service cost centers), lines 60 through 63 (outpatient service cost centers), and lines 64 through 68 (other reimbursable cost centers) to Worksheet C, Parts I and II, column 1, lines 25 through 68. (9/96) For provider based RHC/FQHCs with cost reporting periods that overlap January 1, 1998, transfer the total costs to Worksheets C, Parts I and II and M-2 for the same amount. For cost reporting periods beginning on or after January 1, 1998, transfer the total costs to Worksheet M-2 only.

NOTE: If you are a rural hospital with a certified SNF with less than 50 beds in the aggregate for both components (excluding intensive care type and newborn beds) and have made an election to use the swing bed optional reimbursement method for the SNF, the SNF costs and patient days are treated as though they were hospital swing bed-SNF type costs and patient days and are combined with the hospital adults and pediatrics

cost center on line 25. (See 42 CFR 413.24(d)(5) and CMS Pub. 15-I, §2230.9B.) Reclassify the SNF direct costs from line 34 to line 25 through Worksheet A-6. On Worksheet B-1, the statistics for line 25 must include the statistics for line 34. On Worksheet D, Part III, and Worksheet D-4, record the SNF ancillary services as swing bed-SNF ancillary services.

Transfer the direct hospital-based HHA costs in column 27, line 71, to Worksheet H-4, Part I, column 1, lines as indicated. If you have multiple HHAs, line 71 must be subscripted and transferred to a separate Worksheet H-4 for each HHA.

Only approved certified transplant centers transfer the amount in column 27, lines 73 through 76 to Worksheet D-6, Part III, column 1, line 50. If you are not certified as a transplant center, do not carry forward lines 73 through 76, column 27. Do not carry forward column 27, line 77, as Medicare either does not reimburse for these services or does not reimburse for these services as a pass through cost.

Transfer the total cost in column 27, line 70 (intern/resident services not in approved teaching program) to Worksheet D-2, Part I, column 2, line 1.

The total outpatient rehabilitation costs in column 27, line 69 and subscripts, must agree with Worksheet J-1, Part I, column 27, line 12, for each provider type.

Do not transfer ASC costs from column 27, line 92. Do not transfer the nonreimbursable cost center totals (lines 96 through 99).

NOTE: Do not transfer negative numbers.

Column Descriptions

Column 1--Include only old capital costs. See the instructions for Worksheet A, lines 1 and 2, for a discussion of old capital-related costs.

Column 2--Include only old capital costs. See the instructions for Worksheet A, lines 1 and 2, for a discussion of old capital-related costs.

Column 3--Include only new capital costs. See the instructions for Worksheet A, lines 3 and 4, for a discussion of new capital-related costs.

Column 4--Include only new capital costs. See the instructions for Worksheet A, lines 3 and 4, for a discussion of new capital-related costs.

Worksheet B, Part I, Column 26--Accumulate in this column the costs for interns and residents and post step down adjustments. The costs of interns and residents (direct graduate medical education costs for inpatient and outpatient in approved programs) are paid on a per resident amount. The intern and resident costs are paid through Worksheet E-3, Part IV. In order to avoid duplicate payments, enter the sum of the amounts reported on each line in columns 22 and 23 in the appropriate line of column 26. In addition, enter the amounts from Worksheet B-2, lines as appropriate. The total of columns 22 and 23 and the appropriate lines on Worksheet B-2 must equal the total of column 26.

NOTE: 42 CFR 413.86(e)(4)(I) provides for an exception to the base period for certain hospitals. If you did not have an approved medical residency

training program or did not participate in Medicare during the base period, but either condition changed in a cost reporting period beginning on or after July 1, 1985, a per resident amount must be established using the information in a base period defined in 42 CFR 413.77(e). Any GME costs incurred during a cost reporting period prior to the base period are reimbursed based on reasonable cost. Do not include in column 26 the intern and resident costs from columns 22 and 23.

If you are CAH and responded "Y" to worksheet S-2, question 30.04, (indicating that you have an I&R training program) the GME costs are reimbursed on a reasonable cost basis. Consequently, do not include in column 26 the intern and resident costs from columns 22 and 23.

Worksheet B-1, Column 6A--Enter the costs attributable to the difference between the total accumulated cost reported on Worksheet B, Part I, column 5A, line 103 and the accumulated cost reported on Worksheet B-1, column 6, line 6. Enter any amounts reported on Worksheet B, Part I, column 5A for (1) any service provided under arrangements to program patients and which is not grossed up and (2) negative balances. Enter a negative one (-1) in the accumulated cost column to identify the cost center which should be excluded from receiving any A & G costs. If some of the costs from that cost center are to receive A & G costs then enter in the reconciliation column the amount not to receive A & G costs to assure that only those costs to receive overhead receive the proper allocation. Including a statistical cost which does not relate to the allocation of administrative and general expenses causes an improper distribution of overhead. In addition, report on line 6 the administrative and general costs reported on Worksheet B, Part I, column 6, line 6 since these costs are not included on Worksheet B-1, column 6 as an accumulated cost statistic.

For componentized A&G cost centers, the accumulated cost center line number must match the reconciliation column number. Include in the column number the alpha character "A", i.e., if the accumulated cost center for A&G is line 6.03 (Other A&G), the reconciliation column designation must be 6A.03.

Worksheet B-1, Column 6--The administrative and general expenses are allocated on the basis of accumulated costs. Therefore, the amount entered on Worksheet B-1, column 6, line 6, is the difference between the amounts entered on Worksheet B, Part I, column 5A and Worksheet B-1, column 6A. A negative cost center balance in the statistics for allocating administrative and general expenses causes an improper distribution of this overhead cost center. Exclude negative balances from the allocation statistics.

Worksheet B-1, Column 24--Enter the appropriate statistics based on assigned time. If, however, the use of assigned time is not appropriate for that paramedical education program (i.e., a non-direct patient care cost center), a different statistical basis may be used. For example, if you have a paramedical education program for hospital administration, using assigned time as the statistical basis may be inappropriate. Use accumulated costs as the statistical basis for allocating hospital administrative paramedical education program costs.