

4049. WORKSHEET I-2 - ALLOCATION OF RENAL DEPARTMENT COSTS TO TREATMENT MODALITIES

The purpose of this schedule is to allocate costs to the different services furnished in the renal department. Line 1 combines the costs reported on Worksheet I-1 for allocating costs to the different services furnished in the renal department.

Line 1--Add the costs from Worksheet I-1, column 1, and transfer these amounts to line 1 in the following manner:

<u>Worksheet I-2 Description</u>	<u>Worksheet I-2 Column</u>	<u>From Worksheet I-1, column 1:</u>
Capital & Main Building Costs	1	Sum of lines 11, 18, and 22
Capital, Machine & Repair Costs	2	Sum of lines 12, 13, and 19
Registered Nurses Direct Patient Care Salary	3	Line 1
Other Direct Patient Care Salary	4	Sum of lines 2, 3, 4, 5, and 6
Employee Benefits	5	Sum of lines 10 and 20
Drugs	6	Sum of lines 15 and 25, minus Worksheet S-5, line 22 (and subscripts), col. 2 (renal dialysis department), or col. 3 (home program dialysis)
Medical Supplies	7	Sum of lines 14 and 24
Routine Ancillary Services	8	Sum of lines 28, 29, and 30
Subtotal	9	Not applicable
Overhead	10	Sum of lines 7, 8, 16, 21, and 26

Complete columns 1 through 8 and 10 in conjunction with Worksheet I-3, which contains the statistical bases for allocating costs to the proper lines. For each line item in columns 1 through 8 and 10, multiply the statistic entered in the corresponding line and column of Worksheet I-3 by the unit cost multiplier on line 18.

Lines 2 through 11--These lines identify the type of dialysis treatments that are paid for under the composite payment rate system. The total costs (column 11) for these individual dialysis services are transferred to Worksheet I-4.

Transfer the total on Worksheet I-2, column 11, to Worksheet I-4 per the following instructions.

<u>From Worksheet I-2, column 11</u>	<u>To Worksheet I-4, column 2</u>
Line 2	Line 1
Line 3	Line 2
Line 4	Line 3
Line 5	Line 4
Line 6	Line 5
Line 7	Line 6
Line 8	Line 7
Line 9	Line 8
Line 10	Line 9
Line 11	Line 10

If you complete a Worksheet I-2 for the renal department and the home program dialysis department, complete a separate Worksheet I-4.

Lines 12 through 16--These services are not paid for under the composite payment rate system. Therefore, the costs of these services are not transferred to Worksheet I-4. Exclude these costs in the calculation of reimbursement composite payment rate bad debts. (See 42 CFR 413.89(i)(2).)

Line 12--Report inpatient costs. Inpatient dialysis services are paid under the DRG system for Medicare patients.

Line 13--Report the costs of support services furnished to Method II home patients. Payment for Method II home patient dialysis services are subject to the rules in 42 CFR 414.330. Under Method II, a renal provider is only allowed to bill for support services and not dialysis equipment or supplies. Payment for support services is limited to the lower of the provider's reasonable cost or the payment limit as defined in the regulation, which is \$121.15 per patient per month. This amount includes payment for support services and routine laboratory tests furnished to home patients.

Line 14--Report the direct costs of EPO net of discounts furnished in the renal department. Include all costs for patients receiving outpatient, home, or training dialysis treatments. This amount includes EPO cost furnished in the renal department or any other department if furnished to an end stage renal dialysis patient. Enter EPO amount for informational purposes only. This amount is not included in the total on line 17. For cost reporting periods beginning on or after October 1, 2015, this line will be identified as "ESAs" and providers must enter the direct costs of all ESAs net of discounts furnished in the renal department on this line.

Line 15--Report the direct costs of Aranesp net of discounts furnished in the renal department. Include all costs for patients receiving outpatient, home, or training dialysis treatments. This amount includes Aranesp cost furnished in the renal department or any other department if furnished to an end stage renal dialysis patient. Enter Aranesp amount for informational purposes only. This amount is not included in the total on line 17. For cost reporting periods beginning on or after October 1, 2015, do not complete this line and enter all ESA amounts on line 14.

Line 16--Report the costs of other services furnished and billed in the renal department that are paid for outside the composite payment rate.

Line 17--Add columns and enter totals. Since lines 14 and 15, column 9, are shaded, no costs for EPO and Aranesp and all other ESA's are included in the total for line 17, column 9; and, for column 6, exclude lines 14 and 15 from the total.

Line 18--Enter the amount of medical educational program costs from Worksheet I-1, line 23. Payment for medical educational program costs allocated to the renal department is not included in the composite payment rate.

Line 19--Add lines 17 and 18. This total, plus the amounts in column 6, lines 14 and 15, agrees with the sum of Worksheet I-1, column 1, line 31.

#### Column Description

Columns 1 through 8--For each line, multiply the unit cost multiplier on Worksheet I-3, line 18 by the statistical base, and enter the result on the corresponding line and column on Worksheet I-2.

Column 9--Add columns 1 through 8 for each line, except lines 14 and 15, and enter the total.

Column 10--Multiply the unit cost multiplier on Worksheet I-3, column 10, line 18, by the line amounts in column 9 of Worksheet I-2, and enter the amount in column 10.

Column 11--Add columns 9 and 10 for each line, and enter the result.

4050. WORKSHEET I-3 - DIRECT AND INDIRECT RENAL DIALYSIS COST ALLOCATION - STATISTICAL BASIS

To accomplish the allocation of your direct and indirect costs reported on Worksheet I-1 to the different services provided in the department, you must maintain renal department statistics. To facilitate the allocation process, the format of Worksheets I-2 and I-3 is identical.

Line 1--Transfer the amounts on Worksheet I-2, line 1, columns 1 through 10 to Worksheet I-3, line 1, columns 1 through 10.

Lines 2 through 16--Enter on these lines and in the appropriate columns, the statistic for allocating costs to the appropriate line item. The statistical basis used in each column is defined in the column heading and on Worksheet I-1.

**NOTE:** If you wish to change your allocation basis for a particular general cost center, you must receive written approval from your contractor before the start of your cost reporting period for which the alternative method is used. (See §4017 for Worksheets B and B1.)

Line 12--Enter, in the area provided, the number of inpatient dialysis treatments furnished during the cost reporting period.

Line 17--Add the statistical basis for each column, except columns 9 and 10.

Line 18--Calculate the unit cost multiplier by dividing the amount on line 1 by the total statistical basis on line 17 for each column. Multiply the unit cost multiplier by the statistical base, and enter the cost on the appropriate line and column number on Worksheet I-2.

Column Descriptions

Column 1--Use the square footage of the renal department to allocate capital and maintenance building costs.

Column 2--Use percentage of time to allocate capital and maintenance equipment costs.

Columns 3 and 4--Use paid hours to allocate registered nurses and direct patient care salary.

Column 5--Use total direct patient care salaries in columns 4 and 5 of Worksheet I-2 to allocate employee benefits.

Columns 6 and 7--Use cost of requisitions to allocate drug and medical supply costs.

Column 8--Use routine laboratory charges to allocate laboratory costs.

Column 10--Use subtotal costs in column 9, Worksheet I-2 to allocate overhead cost. To compute the unit cost multiplier, transfer the amount from Worksheet I-2, line 17, column 9, to Worksheet I-3, line 17, column 10. Do not allocate overhead costs to lines 14 or 15.