In accordance with 42 CFR 413.24, cost data must be based on an approved method of cost finding and on the accrual basis of accounting except where governmental institutions operate on a cash basis of accounting.

Worksheet O-6, Parts I and II, facilitate the step-down method of cost finding. This method recognizes that general services of the hospice are utilized by other general service, LOC, and nonreimbursable cost centers. Worksheet O-6, Part I, provides for the equitable allocation of general service costs based on statistical data reported on Worksheet O-6, Part II. To facilitate the allocation process, the general format of Worksheet O-6, Part I, is identical to that of Worksheet O-6, Part II. The column and line numbers for each general service cost center are identical on the two worksheets. The direct patient care service cost centers (lines 25 through 46 of Worksheet O) are reported by LOC on lines 50 through 53 of Worksheets O-6, Parts I and II. The line numbers for nonreimbursable cost centers are identical on Worksheet O and Worksheet O-6, Parts I and II.

When certain general service costs are related to in-facility days and are not separately identifiable by LOC or service, Worksheet O-6, Parts I and II, provide for the accumulation of these costs on line 17, Patient/Residential Care Services. The amounts accumulated in this cost center are allocated based on the in-facility days for HIRC, HGIP, and residential care services that are not part of a separate and distinct residential care unit. This cost center does not include any costs related to contracted inpatient services.

The statistical basis shown at the top of each column on Worksheet O-6, Part II, is the recommended basis of allocation. The total statistic for cost centers using the same basis (e.g., square feet) may differ with the closing of preceding cost centers. A hospice can elect to change the allocation statistics, as appropriate for column 2 only, for the current cost reporting period if a request is submitted in accordance with CMS Pub. 15-1, chapter 23, §2313.

Close the general service cost centers in accordance with 42 CFR 413.24(d)(1) so that the cost centers rendering the most services to and receiving the least services from other cost centers are closed first (see CMS Pub. 15-1, chapter 23, §2306.1). If a more accurate result is obtained by allocating costs in a sequence that differs from the recommended sequence, the hospice must request approval in accordance with CMS Pub. 15-1, chapter 23, §2313.

If the amount of any cost center on Worksheet O-5, column 3, has a negative balance, show this amount as a negative balance on Worksheet O-6, Part I, column 0. Allocate the costs from the overhead cost centers to applicable cost centers, including those with a negative balance. Close a general service cost center with a negative balance by entering the negative balance in parentheses on line 99, as well as on the first line of the column and on line 100 of the column, and do not allocate. This enables Worksheet O-6, Part I, column 18, line 100, to cross foot to Worksheet O-6, Part I, column 0, line 100. After receiving costs from overhead cost centers, LOC cost centers with negative balances on Worksheet O-6, Part I, column 18, are not transferred to Worksheet O-7.
On Worksheet O-6, Part II, enter on the first available line of each column the total statistics applicable to the cost center being allocated (e.g., in column 1, Capital-Related Cost - Buildings & Fixtures, enter on line 1 the total square feet of the building on which depreciation was taken). Use accumulated cost for allocating A&G expenses.

Such statistical base, including accumulated cost for allocating A&G expenses, does not include any statistics related to services furnished under arrangements except where:

- Both Medicare and non-Medicare costs of arranged for services are recorded in the hospice’s books/records; or
- The contractor determines that the hospice is able to and does gross up the costs and charges for services to non-Medicare patients so that both cost and charges are recorded as if the hospice had furnished such services directly to all patients. (See CMS Pub. 15-1, chapter 23, §2314.)

For each cost center being allocated, enter that portion of the total statistical base applicable to each cost center receiving services. For each column, the sum of the statistics entered for cost centers receiving services must equal the total statistical base entered on the first line.

For each column on Worksheet O-6, Part II, enter on line 100, the total expenses of the cost center to be allocated. Obtain the total expenses from the first line of the corresponding column on Worksheet O-6, Part I, which includes the direct expenses from Worksheet O-6, Part I, column 0, plus the allocated costs from previously closed cost centers. Divide the amount entered on Worksheet O-6, Part II, line 100, by the total statistical base entered in the same column on the first line. Enter the resulting unit cost multiplier (rounded to six decimal places) on line 101.

For each column on Worksheet O-6, Part II, multiply the unit cost multiplier on line 101 by the portion of the total statistical base applicable to each cost center receiving services and enter the result in the corresponding column and line on Worksheet O-6, Part I. For each column on Worksheet O-6, Part I, the sum of the costs allocated (line 100) must equal the total cost on the first line.

After the costs of the general service cost centers have been allocated on Worksheet O-6, Part I, enter on each line of column 18, the sum of the costs in columns 3A through column 17, for lines 50 through 71. The total costs entered on Worksheet O-6, Part I, line 100, column 18, must equal the total costs entered on line 100, column 0.

Column Descriptions

Column 0--For each line, enter the total direct costs from the corresponding line on Worksheet O-5, column 3.

Column 3A--For each line, enter the sum of columns 0 through 3. The sum for each line is the accumulated cost and, unless an adjustment is required, is the Worksheet O-6, Part II, column 4 statistic for allocating A&G costs.

If an adjustment to the accumulated cost statistic on Worksheet O-6, Part II, column 4, is required to properly allocate A&G costs, enter the adjustment amount on Worksheet O-6, Part II, column 4A, for the applicable line. For example, when the hospice contracts for HIRC services and the contractual costs include A&G costs, reduce the HIRC accumulated cost statistic on Worksheet O-6, Part II, line 52, column 4A, by the contractual costs reported on Worksheet O-3, line 25, column 7. Similarly, when the hospice contracts for HGIP services and the contractual costs include A&G costs, reduce the HGIP accumulated cost statistic on Worksheet O-6, Part II, line 53, column 4A, by the contractual costs reported on Worksheet O-4, line 25, column 7.
For each line, the accumulated cost statistic on Worksheet O-6, Part II, column 4, is the difference between the amount on Worksheet O-6, Part I, column 3A and the adjustment amount on Worksheet O-6, Part II, column 4A. Accumulated cost for A&G is not included in the total statistic for the A&G cost center; therefore, transfer the amount on Worksheet O-6, Part I, line 4, column 3A, to Worksheet O-6, Part II, line 4, column 4A.

The total accumulated cost statistic for Worksheet O-6, Part II, line 4, column 4, is the difference between the total on Worksheet O-6, Part I, line 100, column 3A, and the amounts in column 4A of Worksheet O-6, Part II.

A negative cost center balance in the statistics for allocating A&G expenses causes an improper distribution of this overhead cost center. Negative balances are excluded from the allocation statistics when A&G expenses are allocated on the basis of accumulated cost.

**Column 18--Transfer the amounts on lines 50 through 53 as follows:**

<table>
<thead>
<tr>
<th>From Worksheet O-6, Part I, Column 18:</th>
<th>To Worksheet O-8, Column 3:</th>
</tr>
</thead>
<tbody>
<tr>
<td>line 50</td>
<td>line 1</td>
</tr>
<tr>
<td>line 51</td>
<td>line 6</td>
</tr>
<tr>
<td>line 52</td>
<td>line 11</td>
</tr>
<tr>
<td>line 53</td>
<td>line 16</td>
</tr>
</tbody>
</table>

**4072.4. WORKSHEET O-7 - APPORTIONMENT OF HOSPITAL-BASED HOSPICE SHARED SERVICE COSTS BY LEVEL OF CARE**

This worksheet calculates the cost of ancillary services provided by hospital ancillary departments to hospital-based hospice patients.

**Column Description**

**Column 1--For each cost center, enter in column 1, the cost-to-charge ratio from Worksheet C, Part I, column 9, line as indicated in column 0.**

**Columns 2 through 5--For each cost center, enter the charges, from the provider’s records, for ancillary services provided by hospital ancillary departments to hospital-based hospice patients. Enter the charges by LOC in the appropriate LOC column.**

**Columns 6 through 9--For each column, calculate cost of ancillary services provided by hospital ancillary departments to hospital-based hospice patients as follows:**

<table>
<thead>
<tr>
<th>Column</th>
<th>Calculation:</th>
</tr>
</thead>
<tbody>
<tr>
<td>6</td>
<td>col. 1 x col. 2</td>
</tr>
<tr>
<td>7</td>
<td>col. 1 x col. 3</td>
</tr>
<tr>
<td>8</td>
<td>col. 1 x col. 4</td>
</tr>
<tr>
<td>9</td>
<td>col. 1 x col. 5</td>
</tr>
</tbody>
</table>

For each column 6 through 9, enter the sum of lines 1 through 10 on line 11.