

4120. WORKSHEET B, PART I - COST ALLOCATION - GENERAL SERVICE COSTS AND
WORKSHEET B-1 - COST ALLOCATION - STATISTICAL BASIS

In accordance with 42 CFR 413.24(a), 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. Cost data based on such basis of accounting are acceptable subject to appropriate treatment of capital expenditures. Cost finding is the process of recasting the data derived from the accounts ordinarily kept by a provider 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(d). Worksheets B, Part I and B-1 have been designed to accommodate the step-down method of cost finding. These worksheets may have to be modified to accommodate other methods of cost finding which have been approved for use by the SNF.

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 the provider organization, i.e., other general service cost centers, ancillary service cost centers, inpatient routine service cost centers, outpatient service cost centers, special purpose and other reimbursable cost centers, and non-reimbursable cost centers. The total direct expenses are obtained from Worksheet A, column 7.

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 are identical. Each general service cost center has the same line number as its respective column number across the top. The column and line numbers for each general service cost center are identical on the two worksheets. In addition, the line numbers of each ancillary, routine, other reimbursable, and non-reimbursable cost centers are identical on the two worksheets. The cost centers and line numbers are consistent with Worksheet A. Note that lines 80, 81 and 82 from Worksheet A are not needed on Worksheets B and B-1.

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.

A change in order of allocation and/or allocation statistics is appropriate for the current fiscal year if received by the contractor, in writing, within 90 days prior to the end of the fiscal year. The contractor has 60 days to make a decision or the change is automatically accepted. The change must be shown to more accurately allocate the overhead cost, or if the change is as accurate, should be changed due to simplification of maintaining the statistics. If a change in statistics is made, the provider must maintain both sets of statistics until an approval is made. If both sets of statistics 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.

Most cost centers are allocated on different statistical bases. However, for those cost centers for which the basis is the same (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. The cost centers are listed 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.

If the amount of any cost center on Worksheet A, column 7 has a credit balance, this must be shown as a credit balance on Worksheet B, Part I, column 0. Allocate the costs from the applicable overhead cost centers in the normal manner to such 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 to be allocated, such general service cost center must not be allocated. Rather, enter the credit balance in parentheses on line 99 as well as on the first line of the column and on line 100. This enables column 18, line 100, to cross foot to columns 0 and 3A, line 100. 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 18, do not carry forward such credit balance to Worksheet C.

On Worksheet B-1, enter on the first line in the column of the cost center being allocated the total statistical base (including accumulated cost for allocating administrative and general expenses) over which the expenses are to be allocated (e.g., for column 1, Capital Related - Buildings and Fixtures, enter on line 1 the total square feet of the building on which depreciation was taken).

Such statistical base including accumulated cost for allocating administrative and general 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 your records; or
- The contractor 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. 15-1, §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 total 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 102 of Worksheet B-1 the total expenses of the cost center to be 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 Capital Related - Buildings and Fixtures, this amount is on Worksheet B, Part I, column 1, line 1).

Divide the amount entered on line 102 by the total statistics entered in the same column on the first line. Enter the resulting unit cost multiplier on line 103. The unit cost multiplier must be rounded 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 §4100.1 for rounding standards.)

After the unit cost multiplier has been applied to all the cost centers receiving the services rendered, the total cost (line 100) of all of the cost centers receiving the allocation on Worksheet B, Part I, must equal the amount entered on the first line. The preceding procedures must be performed for each general service cost center. Each cost center must be completed on both Worksheets B, Part I, and B-1 before proceeding to 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, such general service cost center must not be allocated. However, the statistic must be displayed departmentally. No unit cost multiplier is calculated for lines 103 and 105 on Worksheet B-1.

Use lines 104 and 105 of Worksheet B-1 in conjunction with the allocation of capital-related cost on Worksheet B, Part II. Complete line 104 for all columns after Worksheets B, Part I, and B-1 have been completed and the amount of direct and indirect capital-related cost has been determined on Worksheet B, Part II. Line 105 for all columns is the unit cost multiplier used in allocating the direct and indirect capital-related cost on Worksheet B, Part II. Compute the unit cost multiplier after the amounts to be entered on line 104 have been determined by dividing the capital-related cost recorded on line 104 by the total statistics entered in the same column on the first line. Round the unit cost multiplier to six decimal places. (See instructions for Worksheet B, Part II, for the complete methodology and exceptions.)

After the costs of the general service cost center have been allocated on Worksheet B, Part I, enter in column 16 the sum of the costs in columns 3A through 15 for lines 30 through 95.

When an adjustment is required to expenses after cost allocation, show the amount applicable to each cost center in column 17 of Worksheet B, Part I. A corresponding adjustment to Worksheet B, Part II, may be applicable for capital-related cost adjustments. You must submit a supporting worksheet showing the computation of the adjustment in addition to completing Worksheet B-2.

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

After the adjustments have been made on Worksheet B, Part I, column 17, adjust the amounts in column 16 by the amounts in column 17 and extend the new balances to column 18 for each line. The total costs entered in columns 18, line 100, must equal the total costs entered in column 0, line 100.

Transfer the totals in column 18, lines 40 through 52 (ancillary service cost centers), lines 60 through 63 (outpatient service cost centers), and line 71, to Worksheet C, column 1, lines 40 through 71 respectively.

Transfer the totals in column 18:

From Worksheet B, Part I, Column 18

To Worksheet D-1, Line 5

Line 30, SNF

For SNF

Line 31, NF

For Titles V or XIX. For NF

Sum of lines 30 and 31

Line 32, ICF/MR

For Title XIX. For ICF/MR

The non-reimbursable cost center totals, lines 90 through 95, are not transferred.

Column Descriptions

Column 1.--Depreciation on buildings and fixtures and expenses pertaining to buildings and fixtures such as insurance, interest, rent, and real estate taxes are combined in this cost center to facilitate cost allocation.

Column 2.--Providers that do not directly assign the depreciation on movable equipment and expenses pertaining to movable equipment such as insurance, interest, and rent as part of their normal accounting systems must accumulate the expenses in this cost center.

Column 4.--Allocate the administrative and general expenses on the basis of accumulated costs. Therefore, the amount entered on Worksheet B-1, column 4, line 4, is the difference between the amount on Worksheet B, Part I, column 3A and the amount entered on Worksheet B-1, column 4A.

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.

4121. WORKSHEET B, PART II - ALLOCATION OF CAPITAL-RELATED COSTS

This worksheet provides for the determination of direct and indirect capital-related costs allocated to inpatient general routine services, special care, and ancillary services as well as to other cost centers. This worksheet is needed to provide CMS with data on capital-related costs for program purposes.

Use this worksheet in conjunction with Worksheets B, Part I, and B-1. The format and allocation process employed are identical to that used on Worksheets B, Part I, and B-1.

Column 0.--If capital-related costs have been directly assigned to specific cost centers on Worksheet A, column 2, enter those amounts directly assigned from your records. If you include costs incurred by a related organization in your cost report, the portion of these costs that are capital-related costs are considered directly assigned capital-related costs of the applicable cost center. For example, a provider that is part of a chain organization includes some costs incurred by the home office of the chain organization in its administrative and general cost center. The amount so included representing capital-related cost is included in this column.

Columns 1 and 2.--The amounts entered in column 1, lines 3 through 95, are obtained from Worksheet B, Part I, column 1, lines 3 through 95. The amounts entered in column 2, lines 3 through 95, are obtained from Worksheet B, Part I, column 2, lines 3 through 95.

Enter on Worksheet B-1, line 104, for each cost center (column) the capital-related costs to be allocated. Report these costs on the first line of each column on Worksheet B, Part II. Complete a unit cost multiplier for each column by dividing the amount on line 104 of Worksheet B-1 by the statistic reported on the first line of the same column. Enter the unit cost multiplier on line 105 and round to six decimal places, e.g., .102589241 is rounded to .102589. The allocation process on Worksheet B, Part II, is identical to that used on Worksheets B, Part I, and B-1.

Multiply the unit cost multiplier by the portion of the total statistic applicable to each cost center. Enter the result of each computation on Worksheet B, Part II, in the corresponding column and line.

After the unit cost multiplier has been applied to all the cost centers, the total cost on Worksheet B, Part II, line 100, of all the cost centers receiving the allocation must equal the amount being allocated on the first line of the column. These procedures must be performed for each general service cost center. Each cost center must be completed on Worksheets B-1 and B, Part II, before proceeding to the next cost center.

4122. WORKSHEET B-2 - POST STEP DOWN ADJUSTMENTS

This worksheet provides an explanation of the post Step down adjustment reported in column 17 of Worksheet B, Parts I and II.

Column 1.--Enter a brief description of the post Step down adjustment.

Column 2.--The post Step down adjustment may be made on Worksheet B, Parts I and II. Enter the appropriate part to which the post Step down adjustment applies.

Column 3.--Enter the Worksheet B line number to which the adjustment applies.

Column 4.--Enter the amount of the adjustment. Transfer these amounts to the applicable lines on Worksheet B, Parts I or II, column 17.