

129-10-23b. Costs allowed with limitations. (a) The following amortized expenses or costs shall be allowed with limitations:

(1) The provider shall amortize loan acquisition fees and standby fees over the life of the related loan if the loan is related to resident care.

(2) Only the following taxes shall be allowed as amortized costs:

(A) Taxes in connection with financing, refinancing, or refunding operations;
and

(B) special assessments on land for capital improvements over the estimated useful life of those improvements.

(3) The start-up cost of a provider with a newly constructed facility or a facility that has been closed for 24 months or more shall be recognized if the cost meets the following criteria:

(A) Is incurred within 90 days of the opening of the facility and related to developing the ability to care for residents;

(B) is amortized over a period of at least 60 months;

(C) is consistent with the facility's federal income tax return and internal and external financial reports, with the exception of paragraph (a)(3)(B); and

(D) is identified in the cost report as a start-up expense, which may include the following:

(i) Administrative and nursing salaries;

(ii) utilities;

(iii) taxes, as identified in paragraphs (a)(2)(A) and (B);

(iv) insurance;

- (v) mortgage interest;
- (vi) employee training costs; and
- (vii) any other allowable costs incidental to the operation of the facility.

(4) Each cost that can properly be identified as an organization expense or can be capitalized as a construction expense shall be appropriately classified and excluded from the start-up cost.

(5) Organization and other corporate costs, as defined in K.A.R. 30-10-1a, of a provider that is newly organized shall be amortized over a period of at least 60 months beginning with the date of organization.

(A) The costs shall be reasonable and limited to the preparation and filing of documents required by the various governmental entities, the costs of preparing sale or lease contracts, and the associated legal and professional fees.

(B) The costs shall not include expenses of resolving contested issues of title or disputes arising from the performance of contracts or agreements related to the purchase or sale of a property or business.

(b) Membership dues and costs incurred as a result of membership in professional, technical, or business-related organizations shall be allowable. However, similar expenses specified in paragraph (a)(9) of K.A.R. 129-10-23a shall not be allowable.

(c) Each provider shall include the costs associated with services, facilities, equipment, and supplies furnished to the nursing facility by related parties, as defined in K.A.R. 30-10-1a, in the allowable cost of the facility at the actual cost to the related party, except that the allowable cost to the nursing facility provider shall not exceed the lower of

the actual cost or the market price.

(d) If a provider pays an amount in excess of the market price for equipment, supplies, or services, the agency shall use the market price to determine the allowable cost under the Kansas medical assistance program in the absence of a clear justification for the premium.

(e) The net cost of job-related training and educational activities shall be an allowable cost. The allowable cost shall include the net cost of orientation and on-the-job training.

(f) Resident-related transportation costs shall include only reasonable costs that are directly related to resident care. Transportation costs not directly related to resident care shall not be allowable. Estimates shall not be acceptable.

(g)(1) Lease payments shall be reported in accordance with the financial accounting statements of the financial accounting standards board.

(2) Sale-leaseback transactions shall have the costs limited to the amount that the provider would have included in reimbursable costs if the provider had retained legal title to the facilities and equipment. These costs shall include mortgage interest, taxes, depreciation, insurance, and maintenance costs. The lease cost shall not be allowable if it exceeds the ownership costs before the sale-leaseback transaction.

(h) If the expenses reported for the current period are not paid within one year after the invoice date, the expenses shall be disallowed. (Authorized by K.S.A. 2007 Supp. 75-7403 and 75-7412; implementing K.S.A. 2007 Supp. 75-7405 and 75-7408; effective Sept. 19, 2008.)