

**State of Kansas
Kansas Department for Aging and Disability Services (KDADS)**

**INSTRUCTIONS FOR COMPLETING THE
PSYCHIATRIC RESIDENTIAL TREATMENT FACILITY FINANCIAL AND STATISTICAL REPORT
(Cost Report – FORM KDADS-PRTF-01)**

PURPOSE

The purpose of this report is to obtain the resident-related costs incurred by psychiatric residential treatment facilities (PRTF) in providing services according to applicable state and federal laws, and quality and safety standards.

SUBMITTAL INSTRUCTIONS

1. Each provider must complete and submit the KDADS-PRTF-01 Psychiatric Residential Treatment Facility (Financial and Statistical Report) (Cost Report) and KDADS-PRTF-09 (Census) before the end of the facility's reporting period. These forms are available for download on the KDADS.ks.gov website. Providers may also request blank copies of these forms from the Kansas Department for Aging and Disability Services (KDADS) at the e-mail address listed below.
2. Send Excel spreadsheet copies of the KDADS-PRTF-01 (Cost Report) and form KDADS-PRTF-09 (Census), along with a signed copy of the Declaration Page of the KDADS-PRTF-01 and the KDADS-PRTF-09, to the e-mail address below. Please be advised that all PHI must be sent in compliance with HIPAA guidelines.

KDADS.COSTREPORTS@ks.gov

3. Inquiries regarding the completion of these forms can also be directed to: Steven Hime at (785) 296-2535 or Steven.Hime@ks.gov.

GENERAL

The cost report is organized by the following sections. Not all expense lines within each section are used. A separate cost report must be completed for each PRTF.

- Cover Page, General Information
- Schedule A, Facility Administrative Cost Center
- Schedule A, Treatment Facility Operating Cost Center
- Schedule A, Facility Property Cost Center
- Schedule A, Room, Board, and Support Cost Center
- Schedule A, Treatment Cost Center
- Schedule A, Non-Reimbursable/Non-Resident Related Expense Items
- Schedule B, Expense Reconciliation
- Schedule C, Statement of Owners and Related Parties
- Schedule D, Statement Related to Interest on All Bonds, Loans, Notes, and Mortgages Payable
- Schedule E, Revenue Statement
- Schedule F, Fixed Asset, Depreciation, and Amortization Questionnaire
- Declaration of Preparer and Declaration of Owner, Partner, or Officer of Corporation

1. Complete the forms accurately and legibly. Any report that is incomplete, illegible or has its formulas altered will be returned to the provider. Failure to submit a complete cost report shall result in penalties as described in #8.
2. All amounts must be rounded to the **nearest dollar amount** prior to cost report entry.
3. **DO NOT** add lines to the forms. Use "OTHER" lines for resident-related expenses not designated on the Expense Statement, Schedule A. Attach a schedule if necessary. Amounts on "OTHER" lines will be disallowed if no expense detail is included.
4. **DO NOT** cross out or re-title lines on the forms. **DO NOT** include more than one amount per line. If more than one amount or journal entry is combined, submit an attached schedule with explanation. Attachments must be **sorted by cost report expenses lines** and should include subtotals.
5. Use the accrual method of accounting in reporting financial data. Revenues are reported in the period when **earned**, and not when received. Expenses are reported when **incurred**, not when paid.
6. Estimates of revenues and expenses are not acceptable. Uniform Guidance in OMB Super Circular 2 CFR 200 and CMS Provider Reimbursement Manual Publication 15-1 govern allowable costs.
7. A twelve-month cost report for all costs incurred during the State's fiscal year July 1st through June 30th must be submitted by September 30th. A mid-period cost report for costs incurred July 1st through December 31st must be submitted by March 31st.
8. The provider may request a one-month extension of the due date by submitting the request in writing to the e-mail address in the submittal instructions within the time period allowed for filing the original cost report.

A one-month extension of the due date for the filing of the cost report may be granted by the agency when the cause for delay is beyond the control of the provider. Delays beyond the control of the provider that may be considered by the agency in granting an extension shall include:

- a. disasters that significantly impair the routine operations of the facility or business,
- b. destruction of records as a result of a fire, flood, tornado, or another accident that is not reasonably foreseeable,
- c. computer viruses that impair the accurate completion of cost report information.

The provider shall make the request in writing, and it shall be received by the agency on or before the due date of the cost report. Requests received after the due date shall not be accepted.

The extension will be granted if the agency determines the provider has shown good cause.

NOTE: If a cost report is received after the due date without an approved time extension, the provider is subject to penalties.

Each provider filing a cost report after the due date shall (may) be subject to the following penalties:

- a. All further payments to the provider shall be suspended until the complete cost report has been received. A complete cost report shall include all the required documents listed in the cost report and cost report instructions.
 - b. Failure to submit the cost report within one year after the end of the cost report period shall be cause for termination from the Kansas medical assistance program.
9. Each PRTF must maintain adequate account and/or statistical records. Inadequate recordkeeping is cause for suspension of payments. If PRTF program expenses have been commingled with the non-PRTF expenses, see

the instructions for provider adjustments on Schedule A, Expense Schedule.

10. Copies of the State Medicaid Plan, the PRTF Cost Report form and related instructions governing PRTF reimbursement may be obtained from the [KDADS website](#). **NOTE:** Since the Cost Report Instructions may be changed, the preparer of the Cost Report should carefully review the most recent version prior to the completing the form KDADS-PRTF-01 for submission.

REQUIRED DOCUMENTATION:

The following documents **must** be **completed** and included with the cost report, otherwise the report will be considered incomplete, and processing may be delayed, and/or penalties may be imposed:

- a. Working Trial Balance
- b. Census schedule
- c. Depreciation schedule
- d. Detailed schedule of central office costs and detailed schedule of "Other" allocations.
- e. Signed declaration form.

Definitions

1. Accrediting agency – Joint Commission on Accreditation of Healthcare Organizations, the Council on Accreditation of Service for Families and Children, or the Commission on Accreditation of Rehabilitation Facilities.
2. Adequate financial cost data – Cost data shall be in accordance with state and federal Medicaid requirements and general accounting rules and based on the accrual basis of accounting. Estimates of costs are not allowable.
3. Central Office – A central office is an expense center that provides administrative support to more than one program or service unit including the PRTF. All providers with more than one facility and pooled administrative costs shall report allocated central office costs. All facilities, including the central office, must use the same reporting period. **Attach a detailed schedule listing the central office costs and method of allocation to each facility.**
4. Cost and other accounting information – Adequate financial data about the PRTF operation, including source documentation that is accurate, current, and sufficiently detailed to accomplish the purposes for which it is intended. Source documentation, including petty cash payout memoranda and original invoices shall be valid only if the documentation originated at the time and near the place of the transaction. In order to provide the required cost date, the provider shall maintain financial and statistical records in a manner that is consistent from one period to another. This requirement shall not preclude a beneficial change in accounting procedures when there is a compelling reason to effect a change of procedures.
5. Costs not related to resident care – Means costs that are not appropriate, necessary, or proper in developing and maintaining the PRTF operation and activities. These costs shall not be allowed in computing reimbursable costs.
6. Costs related to resident care – Necessary and proper costs, arising from arm's-length transactions in accordance with general accounting rules, that are appropriate and helpful in developing and maintaining the operation of resident care facilities and activities.
7. Fiscal Year – The state fiscal year of July 1 through June 30 shall be the fiscal year for the cost report.
8. Mid-Period – July 1 through December 31.
9. Non-working owners – Any individual or organization having five percent or more ownership interest in the provider who does not perform a resident-related function for the PRTF.
10. Non-working related party or director – Any related party, as specified in these definitions, who does not perform a resident-related function for the PRTF.
11. Owner – The person or legal entity that has the rights and interest of the real and personal property used to provide the PRTF services.
12. Related parties – Two or more parties with a relationship in which one party has the ability to influence another party to the transaction in the following manner:
 - a. When one or more of the transacting parties might fail to pursue the party's or parties' own separate interest fully;
 - b. When the transaction is designed to inflate the Kansas medical assistance program costs; or
 - c. When any party considered a related party to a previous owner or operator becomes the employee, or otherwise functions in any capacity on behalf of a subsequent owner or operator. Related parties shall

include parties related by family, business, or financial association, or by common ownership or control. Transactions between related parties shall not be considered to have arisen through arm's-length negotiations.

13. Reimbursable Day – A resident must be present at 11:59 pm to receive payment for that day. If resident is not there at 11:59 pm the resident cannot be counted as present and the PRTF cannot bill for that day unless the resident is on approved absent days. Approved absent days are defined as follows: visitation days when indicated in the resident's treatment plan (within the total number of days approved for the resident's stay). The PRTF can bill for a maximum of 7 days per visit. The frequency, duration, and location of the visits must be a part of the resident's individual case plan developed by the facility prior to the visitation. An approved visitation plan must be documented in the resident's official record at the facility.

If a resident is absent from the facility for a short time due to circumstances needing the resident's immediate attention (deaths, weddings, personal business), or the resident leaves the facility without permission, the facility can bill up to five days unless the resident's placement is terminated sooner.

14. Routine services and supplies – Services and supplies that are commonly stocked for use by or provided to any resident. The services and supplies may include, but not be limited to the following:
 - a. Facial tissues and toilet paper
 - b. First-aid ointments and similar ointments
 - c. Gloves, rubber or plastic
 - d. Ice bags and hot water bottles
 - e. Laundry, including personal laundry
 - f. Laxatives
 - g. Lotions, creams, and posers, including baby lotion, oil, and powders
 - h. Mouthwash, shampoo
 - i. Over-the-counter vitamins
 - j. Over-the counter analgesics and antacids taken for the occasional relief of pain or discomfort
 - k. Skin antiseptics, including alcohol
 - l. Thermometers
 - m. All over-the-counter drugs, supplies, and personal comfort items that are available without a prescription at a commercial pharmacy or medial supply outlet and are provided by the PRTF as a reasonable accommodation for individual needs and preferences.
15. Sale-leaseback – A transaction in which an owner sells a facility to a related or non-related purchaser and then leases the facility from the new owner to operate as the provider.
16. Working trial balance – A list of the account balances in the general ledger order that was used in completing the cost report. The working trial balance shall contain account numbers, descriptions of the accounts, the amount of each account and the cost report expense line on which the account reported. Revenues and expenses shall be grouped separately and totaled on the working trial balance. Expenses shall reconcile to column 2 of cost report Schedule A and revenues shall reconcile to column 1 of cost report Schedule E. **A schedule that lists all general ledger accounts, grouped by cost center and line description, shall be attached.**

COST REPORT INSTRUCTIONS

COVER PAGE – General Information

Complete all provider information on the cover page. The facility information should automatically populate to all Schedules and the Declaration Page.

Report the current private pay rate.

Check the type of business organization which most accurately describes your provider status or explain on the line labeled "Other". Limited Liability Companies should check the box that matches their declaration for tax purposes. Please check only one.

PRTF Beds:

Lines A-E: The number of beds available multiplied by the calendar days in the reporting period = Total Bed Days Available during the reporting period.

Enter beginning and ending dates, the number of beds available and the number of calendar days covered by the beginning and ending dates. The beds available multiplied by the number of calendar days = bed days at this bed count. If a change in the number of beds has occurred during the reporting period, show the increase or decrease on a separate line, the date of the change, the new bed count, the bed days at that count.

Line F: Total days during the reporting period = column total of # of calendar days. This should equal 365 days.

Line G: Total beds available during reporting period = column total of bed days @ this bed count.

Example of Bed Days Calculation:

Assume a home of 20 beds was increased on March 16 to 25 beds. The number of bed days for the period would be determined as follows:

July to March 15 – 258 days x 20 beds =	5,160 bed days
March 16 to June 30 – 107 days x at 25 beds =	<u>2,675 bed days</u>
	<u>7,835</u> bed days for fiscal year

NOTE: Lines H, I, and J should match totals on Census form KDADS-PRTF-09.

Line H: Enter the number of Medicaid Reimbursable Days, excluding Absent Days (See definitions).

Line I: Enter the number of Medicaid Reimbursable Absent Days = (See definitions)

Line J: Enter the number of "Other Funded" Days Reimbursed = (Reimbursed = days during reporting period that beds were filled and payment source is not Medicaid).

Line K: Total Days Beds were Reimbursed = total of line H, I, and J.

Line L: Total Vacancy = 100% less (Total Days Beds Reimbursed/Total Beds Available).

SCHEDULE A – EXPENSE STATEMENT

A copy of the working trial balance used to prepare the cost report must accompany the filed cost report.

All costs shall be reported on the designated expense lines. If all expense classifications are not addressed, report the amount on the line and in the cost center that most nearly describes the expense. For example, telephone expense is included in the Facility Administrative cost center. Therefore, the expense for telephone lines to the treatment units' station **shall not** be reported in the Treatment cost center. See specific line instructions for more detail. **Do not cross out or use a line designated for a particular type of expense for some other type of expense.**

Total Annual Hours Paid – Column 1 – Enter the total hours paid to the employees on each of the salary lines for the reporting period. For any employee whose time is divided across multiple work functions within a facility and performs for less than a full-time-equivalent work week, defined as 40 hours per week, the work time and compensation shall be prorated on each function within a facility or within all facilities, but shall not exceed 100 percent of that person's total work time.

Per Working Trial Balance (Books) or Federal Tax Return (if un-audited) – Column 2 – Report the expenses reflected in the accounting records under the appropriate cost center (i.e., Facility Administrative, Treatment Facility Operating, Facility Property, Room, Board and Support, Treatment, and Non-reimbursable and Non-resident Related). The total of all the expense lines (Column 2) shall reconcile to the accounting records or income tax return. (For exceptions, see instructions for Schedule B.)

Provider Adjustments – Column 3 – Enter the necessary adjustments to the expenses reported in Column 2 that are not resident-related or offset expense recoveries reported in the Revenue Statement, Schedule E Reclassification or allocation of Column 2 expenses between cost centers or expense line items shall also be entered in Column 3. Increases shall be entered as positive amounts and decreases as negative amounts. Schedules supporting the adjustments and reclassifications must accompany the cost report.

PRTF Related Expense – Column 4 – The cost report automatically calculates the difference between Column 2 and Column 3.

State Adjustments/Adjusted Resident Related Expenses – Columns 5 and 6 – Leave blank – FOR AGENCY USE ONLY.

Expense Lines

The specific instructions do not cover each line item of the expense statement. They are designed to cover items that may require additional explanation or examples.

Accounting and Data Processing – Report accounting expense on this line, except fees paid to owner/related party firms or individuals which must be reported on the owners compensation section. Data processing expense related to financial management (i.e., accounting, payroll, budgeting, etc.) shall be reported on this line.

Advertising and Recruitment – Report allowable advertising and recruitment expense on this line. This line shall be used for fees paid to employment agencies, employment advertisements, and ads in telephone directories. Fund raising, public relations, advertising for resident utilization and sponsorships are **not allowable** and shall be reported in the Non-reimbursable and Non-resident Related expense section of Schedule A.

Allocations – All providers with pooled administrative costs shall report allocated costs.

All facilities, including the central office, must use the same reported period. **Attach a detailed schedule listing the allocation type and method of allocation to each facility. Failure to submit detailed central office expenses and allocation methods shall result in an incomplete cost report.**

Guidelines for central office costs

Allocation of central office costs shall be reasonable, conform to general accounting rules, and is allowed only to the extent that the central office is providing a service normally available in the PRTF. Central office costs **shall not** be recognized or allowed to the extent that they are unreasonable, or in excess of similar PRTFs in the program. **The burden of furnishing sufficient evidence to establish a reasonable level of costs shall be on the provider.**

All expenses reported as central office costs shall be limited to the actual resident-related costs of the central office.

The provider shall report cost of ownership, or the arm's length lease expense, utilities, maintenance, property taxes, insurance, and other plant operating costs of the central/regional office space **for resident-related activities** as central office costs.

The provider shall report all administrative expenses incurred by central/regional offices as central office costs. The administrative expenses reported as central office costs shall not be directed to individual facilities operated by the provider or reported on any other line of the cost report.

Non-reimbursable costs, cost limitations, and the revenue offsets shall apply to central/regional office costs.

Salaries of employees performing the duties for which they are professionally qualified shall be allocated to the direct treatment cost center or the appropriate cost center for the duties performed. Professionally qualified employees shall include licensed and registered nurses, dietitians, therapists, and others.

Salaries of chief executives, corporate officers, department heads, and other employees who may meet the specifications of owner or related parties, as specified in the definitions above, shall report these salaries as owner's compensation in the facility administrative cost center or the appropriate cost center if the owner/related party is providing resident-related services, subject to owner/related party salary limitations.

Salaries of all other central/regional office personnel performing resident-related administrative functions in the facility administrative cost center.

Allowable central office costs are subject to the following conditions:

1. Only expense allocations related to Kansas facilities will be allowed.
2. Purchases from related-party vendors – Costs of resident-related goods and services supplied to the central office by related parties will be allowed at the lower of cost to the vendor, or the charge to the central office.
3. Costs directly attributable to a specific provider or non-provider activity must be allocated directly to the entity for which the costs were incurred.
4. Central office bulk purchases of PRTF supplies – These expenses may be allocated to the supplies lines in the appropriate cost centers, if the allocation method is adequately documented.
and
5. Consultants – Costs that are incurred generally for the corporation.

Amortization of Leasehold Improvements – Report only amortization of leasehold improvements on this line. Leasehold improvements are defined as betterments and additions made by the lessee to the leased property. Such improvements become the property of the lessor after the expiration of the lease.

Consultants – Report fees paid to professionally qualified non-salaried consultants hired to meet the needs of the facility or residents in general. List the titles of consultants reported.

Also, see Management Consultant Fees.

Contracted Labor – These lines shall be used to report all contract labor for services that would normally be provided by employees listed in the cost center.

Criminal Background Check – Report the amount expended for criminal background checks for all employees.

Depreciation Expense – Facility – This amount must be computed by the straight-line method. Such amounts must be reconciled to a detailed depreciation schedule. The determination of capitalized property must be in conformity with Generally Accepted Accounting Principles. **Attach a detailed depreciation schedule to the cost report.**

Depreciation Expense – Equipment – This amount must be computed by the straight-line method. Such amounts must be reconciled to a detailed depreciation schedule. The determination of capitalized property must be in conformity with Generally Accepted Accounting Principles. **Attach a detailed depreciation schedule to the cost report.**

Employee Benefits – Allocate employee benefits to the benefit lines in each cost center based on the percentage of gross salaries or the actual amount of expense incurred in each center. Employee benefits, if offered to substantially all employees, may include, but are not limited to:

1. Employer's share of payroll taxes.
2. State and federal unemployment contributions.
3. Workers' compensation insurance.
4. Group health and life insurance.
5. Employee "non-cash" gifts.
6. Moving/relocation expenses.
7. Employee retirement plans.
8. Employee parties – except alcoholic beverages.
9. Profit sharing.
10. Physical examinations.
11. Malpractice insurance that specifically protects employees. This shall be specifically identified on the insurance bill from the agent.
12. Employee uniforms.
13. Employee meals.

Employee benefits shall not include:

1. Employee cash bonuses and/or incentive awards – these payments shall be considered additional compensation and be reported on salary lines.
2. Benefits given to owner/related parties – these benefits shall be reported on the owner/related party employee benefits lines in the appropriate cost center.

Employee benefits with restriction include:

1. Employee benefits offered to select non-owner/related party employees shall be reported as a benefit in the cost center in which that employee's salary is reported.

Food – Report all food costs. The provider shall be required to keep records on the total number of meals served to residents, employees, guest, and outside programs. If the food expense for the employees, guest, and outside programs is included in the KDADS-PRTF-01 expenses, the expense should be offset against the dietary cost center as follows:

1. Dietary Salaries
 - a. Dietary Portion employee Benefits
 - b. Dietary Owner/Related Party Compensation
 - c. Dietary Consultant
 - d. Food
 - e. Dietary Supplies
 - f. Other
 - g. $\text{Total Dietary Cost} / \text{Total Number of Meals Served} = \text{Cost Per Meal}$
2. $\text{Cost per meal} \times \text{number of meals served to employees, guest, and outside programs} = \text{amount of offset.}$
3. The cost of free employee meals shall be allocated and reported on employee benefit lines. If employees pay less than the cost for a meal, the difference between the meal revenue and meal cost may be reported as an employee benefit.

Insurance – Liability – Report liability insurance expense on this line.

Insurance – Other – report insurance expenses on this line. Workers' compensation and employee health and life insurance expense shall be reported on employee benefit lines. Facility insurance should be reported in the Treatment Facility Operating cost center. Insurance premiums on lives of owners and related parties are not an allowable expense, and shall be in the Non-reimbursable & Non-resident related expense section of Schedule A.

Interest – Report the interest expense related to operating loans. Interest on loans for real and personal property and equipment shall be reported in Property cost center. The interest expense shall be incurred on indebtedness established with either of the following:

1. Lenders or lending organizations not related to the borrower; or
2. Partners, stockholders, home office organizations, or related parties, if the following conditions are met:
 - a. The terms and conditions of payment of the loans shall resemble terms and conditions of an arm's-length transaction by a prudent borrower with a recognized local lending institution with the capability of entering into a transaction of the required magnitude. A signed promissory note and loan amortization schedule shall be submitted with the cost report. Allowable interest expense shall be limited to the annual expense submitted on the loan amortization schedule unless the loan principal is retired before the end of the amortization period.
 - b. The provider shall demonstrate, to the satisfaction of KDADS, a primary business purpose for the loan other than increasing the per diem rate.
 - c. The transaction shall be recognized and reported by all parties for federal income tax purposes.
3. When the general fund of a PRTF "borrows" from a donor-restricted fund, this interest expense shall be an allowable cost. In addition, if a PRTF operated by members of a religious order borrows from the order, interest paid to the order shall be an allowable cost.
4. The interest expense shall be reduced by the investment income from restricted or unrestricted idle fund or funded reserve accounts, except when that income is from gifts and grants, whether restricted or

unrestricted, that are held in a separate account and not commingled with other funds. Income from the provider's qualified pension fund shall not be used to reduce interest expense.

5. Interest earned on restricted or unrestricted reserve accounts of industrial revenue bonds or sinking fund accounts shall be offset against interest expense and limited to the interest expense on the related debt.
6. Loans made to finance that portion of the cost of acquisition of a facility that exceeds historical cost, or the cost basis recognized for program purposes shall not be considered to be reasonably related to resident care.

Interest on Equipment – Report all interest expense incurred for the acquisition of equipment and furnishings.

Interest on Real Estate – Report all interest expense incurred for the acquisition or construction of real estate. Describe fully on Schedule D. Include amortization expenses for loan costs. The interest for equipment and furnishings purchased along with the building shall be reported on the **Interest on Equipment** line.

Legal – Report allowable routine legal costs and other costs associated with litigation on this line, if the litigation is decided in the provider's favor. Costs related to resolving contested issue of title or disputes arising from the performance of contracts or agreements related to the purchase or sale of property or business are not allowable. Allowable fees paid to owner/related party firms or individuals must be reported as owner/related party compensation. Retainer fees and costs associated with claims against the state are not allowed.

Licenses, accreditation fees, and dues – Report allowable licenses, accreditation fees, and dues on this expense line. Cost of social, fraternal, civic, and other organizations that concern themselves with activities unrelated to their members' professional or business activities are not allowable. Personal automobile club memberships are not allowable unless reported as compensation. Any dues paid for the cost of lobbying are not allowable. The cost of licenses for professional direct services staff is to be included in the treatment cost center. The cost of licenses for facility maintenance staff is to be included in the treatment facility cost center.

Linen and Bedding Material – Report linen and bedding material expenses on this line.

Maintenance and Repairs – Report all maintenance and repair expenses for equipment and vehicles as related to administrative operating expenses in the Facility Administrative cost center, expenses applicable to the building and ground in the Treatment Facility Operating cost center, and expenses applicable to equipment related to Room, Board, and Support in the applicable cost center. Vehicle maintenance and repairs expenses related to Resident Transportation should be included on the Resident Transportation line of the Treatment cost center.

Management Consultant Fees (Also, see Consultants) – Report fees paid to non-related party management consultants. If the management services company is owned or controlled by the company or person(s) that own or control the facility, actual cost of the management services company must be reported as central office costs or owners' compensation. See instructions for reporting central office costs.

Consulting fees paid to owners and related parties are considered owners' compensation subject to the owner-administrator compensation limit. These fees should be reported on the Owners'/Related Party Compensation line. No allowance shall be made for costs related to investigation of investment opportunities, travel, entertainment, goodwill, or administrative or managerial activities performed by owners or other related parties that are not directly related to resident care.

Other – "Other" or blank lines have been provided in each cost center. Types of expenses entered on these lines shall be clearly titled/identified and be applicable to the cost center unless further restricted. Attach a detailed schedule of the claimed expenses to the cost report. **Failure to do so will cause the cost report to be deemed incomplete and subject to penalties (General Section, #8).**

For example, "Other" may include miscellaneous expenses incidental to the operation and/or maintenance of the facility and grounds, i.e., trash hauling, snow removal, etc. in the Treatment Facility Operating Cost Center.

Owners/Related Party Compensation – Record the amount earned and reported to the IRS for owner/related parties. In order for this expense to be allowable, the compensation must be paid within sixty (60) days after the close of the cost report period. The amount reported must be in agreement with entries made on Schedule C. Compensation may be included in allowable cost only to the extent that it represents reasonable remuneration, as limited to a salary chart based on the Kansas Civil Service classifications and wages for comparable positions, for managerial and administrative functions, professionally qualified services and other services related to the operation of the PRTF and was rendered in connection with resident care. All compensation paid to an owner/related party shall appear on the appropriate lines regardless of the label placed on the services rendered (See Kansas Medicaid State Plan).

For owners or related parties, as specified in the Definitions section, who actually perform a necessary function directly contributing to resident care, a reasonable amount shall be allowed for at the lesser of: 1) the cost that would have been incurred to pay a non-owner employee to perform the resident-related services, limited by a schedule of salaries and wages based on the state civil service salary schedule in effect when the cost report is processed; or 2) the amount of cash and other assets actually withdrawn by the owner or related parties.

Allocation of owner or related party total work time for resident-related functions - When any owner or related party performs a resident-related function for less than a full-time-equivalent work week, defined as 40 hours per week, the compensation limit shall be prorated. The time spent on each function within a facility or within all facilities in which the owner or related party has an ownership or management interest shall be prorated separately by function but shall not exceed 100 percent of that person's total work time. Time spent on other non-related business interest or work activities shall not be included in calculations of total work time. Owner or related parties performing resident-related functions must be licensed or certified by the state to perform services requiring such credentials.

Salaries paid to non-working owners or other related parties, as defined in the Definitions section of the Cost Report instructions, shall not be considered an allowable cost regardless of the name assigned to the transfer or accrual, or the type of provider entity making the payment. Each payment shall be separately identified and reported as owner compensation in the non-reimbursable and non-resident-related expense section of Schedule A in the cost report.

Rent or Lease Expense – Equipment – Report all recurring rent or lease expense for equipment such as computer leases, copier leases, telephone equipment leases, etc.

Rent or Lease Expense – Facility – Report all recurring facility rent or lease expense.

Resident Transportation – Report resident transportation expense incurred for non-emergency medical, shopping, activities, etc., in which the residents are the primary passengers. Mileage reimbursements for staff use of personal vehicles may be included if the primary passenger is a resident.

This includes fuel, vehicle lease, interest, depreciation (also include on Schedule D), insurance, vehicle repairs, and maintenance or other vehicle-related expense. If transportation costs are allocated, trip logs must be kept to document the expense.

For allocation purposes, acceptable methods of allocating cost to Resident Transportation are as follows:

1. Allocated at a set rate per mile. The rate would be determined by dividing total vehicle expense, not restricted to another expense line, by the total miles. The IRS allowed rate per mile is acceptable because it includes factors for depreciation, insurance, and repairs.
2. Allocated directly per the following formula:

(Resident travel miles / Total miles) x Total Vehicle Expenses not = Resident Travel Expense
restricted to another line

3. If private vehicles are used to transport residents, the entire amount of the reimbursement paid to the employee for use of the vehicle is allowable as Resident Transportation. The rate of reimbursement must be reasonable.

Salaries – Salaries are compensation paid for personal services that were reported to the Internal Revenue Service (IRS) Salary allocations should adhere to Medicaid cost principles. These lines, plus the owner/related party compensation lines, shall reconcile to your working trial balance.

Report hours paid and the related salaries on the appropriate line for all salaries classifications.

Non-owner/related party administrator compensation shall be reported in the Administration Cost Center. Salaries and benefits of the administrator and co-administrator paid as central office costs shall be included as part of the central office allocated costs.

When any non-owner or non-related party performs a resident-related function for less than a full-time-equivalent work week, defined as 40 hours per week, the work time and compensation shall be prorated on each function within a facility or with all facilities, but shall not exceed 100 percent of that person's total work time. Time spent on other non-related business interests or work activities shall not be included in calculations of total work time.

Report the salaries of the Treatment Facility Operations Cost Center personnel, the salaries of Room, Board, and Support Cost Center personnel, and the salaries of Treatment Cost Center personnel on the appropriate line in the respective cost center (see salaries classifications list below). **DO NOT REPORT CONSULTANTS ON THESE LINES.**

1. Salaries – Program Director
2. Salaries – Other Administrative salaries
3. Salaries – Maintenance Staff
4. Salaries – Housekeeping
5. Salaries – Dietary
6. Salaries – Laundry
7. Salaries – Licensed Mental Health Professional (LMHP) – an individual who is licensed in the State of Kansas to diagnose and treat mental illness or substance abuse acting within the scope of all applicable state laws and their professional license. A LMHP includes individuals licensed to practice independently such as:
 - a. Licensed clinical psychologists,
 - b. Licensed clinical marriage and family therapists,
 - c. Licensed clinical professional counselors,
 - d. Licensed specialist clinical social workers, or
 - e. Licensed clinical psychotherapists.

A LMHP also includes individuals licensed to practice under the supervision or direction of:

- a. Licensed master's level marriage and family therapists,
- b. Licensed master's level professional counselors,
- c. Licensed master's level social workers, or
- d. Licensed master's level psychologists.

Supervision or direction must be provided by a person who is eligible to provide Medicaid services and who is licensed at the clinical level or is a physician.

8. Salaries – Mental Health Worker – An individual who is at least twenty-one (21) years of age and meets at least one of the following requirements:

- a. A bachelor's degree; at least 12 credit hours of education in psychology, sociology, social work, counseling, nursing, education, rehabilitation counseling, or theology; and one year of experience in mental health services,
 - b. A licensed registered nurse (RN) and one year of experience in mental health services,
 - c. A high school diploma or equivalent and four years of experience in mental health services,
 - d. A licensed practical nurse (LPN) with one year of experience in mental health services,
 - e. A licensed mental health tech (LMHT) with one year of experience in mental health services.
9. Salaries – Direct Care Staff – All direct care staff who are at least twenty-one (21) years of age and at least three (3) years older than the oldest resident; must have a high school diploma or its equivalent.
10. Salaries – Therapy – Other therapy salaries not covered in other classifications.

For owner/related party administrator compensation, see the definition “Owner and Related Party Compensation”.

Small Equipment – Equipment purchases of \$1,000 to \$5,000 that were not capitalized must be expenses on this line. Equipment purchases of \$1 to \$999 may be reported in the cost center of benefit as a supply expense.

Staff Training – Report the costs of fees, tuition, books, etc. for education or training seminars. Training must be pertinent to the job duties and not involve acquiring a degree. Travel, lodging, and meals associated with the education/seminars may be reported on this line.

Supplies – Dietary – Report supplies expense directly related to the preparation and service of food to the residents unless further restricted by another expense line. Examples include but are not limited to paper goods, kitchen utensils, etc.

Supplies – Housekeeping – Report all supplies expense related to keeping the building clean and sanitary. Floor care supplies shall be expenses on this line.

Supplies – Laundry and Linen – Report all supplies expense directly related to laundry and linen services for the residents, unless restricted by another line.

Supplies – Nursing – Report expenses of all **routine** supplies directly related to the provision of nursing and/or health related services for residents, unless further restricted by another expense line.

Supplies – Office and Printing – Report all office supplies, postage, duplicating and printing expenses on this line. The printing and duplicating of forms are considered to be an administrative expense and shall not be reported in any other cost center.

Supplies – Operating – Report supplies expense incidental to the operation of the applicable cost center, and maintenance of the building, grounds, and equipment in the Treatment Facility Operating Cost Center.

Supplies – Resident Activity – Report the supplies expense involved in providing resident activities.

Taxes – Report all real and personal property taxes in the Treatment Facility Operating Cost Center. Federal income, excess profit taxes, state or local income and excess profits taxes, taxes on property that is not used providing covered services, and interest or penalties paid on any of these taxes are non-reimbursable costs and should be reported in the Non-reimbursable and Non-resident Related Cost Center.

Telephone and Other Communication – Report routine telephone and communications expense in the Administration Cost Center regardless of the department or cost center benefit.

Travel – Report administrative, staff, and consultant travel expenses that are related to resident care. Estimates shall not be acceptable. Exceptions:

1. Long term or recurring vehicle lease expense for business purposes shall be reported on the Rent or Lease Expense – Equipment line, or as applicable to treatment on the Resident Transportation line.
2. Expenses associated with the personal use of a vehicle are not allowable unless reported within otherwise allowable limits of compensation.
3. Resident transportation expense shall be reported in the Treatment cost center outlined in the expense line explanation.

Utilities except Telephone – Report expenses for gas, water, electricity, heating oil, trash hauling, etc. Cable television may be considered a utility or resident activity expense.

Non-Reimbursable & Non-Resident Related Items

Total non-reimbursable and non-resident related expenses must be entered in column 2. These expenses will be offset in their entirety in column 3. Column 4 will show zero expenses.

Costs not related to resident care shall be considered non-reimbursable costs and shall be reported in this section. In addition, the following expenses or costs shall not be allowed unless otherwise noted.

Education and Educational Related Expenses – If a PRTF incurs costs related to school services for youths residing at the facility, these expenses should be included as non-reimbursable and non-resident related expenses. These expenses include facility, property, equipment, supplies, transportation related to school attendance, and staff costs.

If certain components of the facility are used as part of a residential treatment plan, e.g., gymnasium, then those costs can be reclassified to the Treatment cost center. Allocation of cost shall be made based on a ration of resident time usage to the total time the particular facility component is available for usage.

If documented as part of a treatment plan, costs associated with time spent by PRTF staff at the school, e.g., providing in-school support for a resident, shall be reclassified to the Treatment cost center. A time study supporting the expense allocation shall be made in accordance with the time study requirements as outline in the Definitions portion of the cost report instructions.

Fund Raising/Public Relations/Advertising for Resident Utilization – Include non-allowable advertising expenses. See Advertising and Recruitment explanation under Expense Lines section.

Insurance – Life – Premiums paid on the lives of owners and/or related parties.

Membership Fees or Dues – Costs of social, fraternal, civic, and other organizations that concern themselves with activities unrelated to their members' professional or business activities.

Non-working Directors or Officers Fees – Fees paid to non-working directors and the salaries of non-working officers.

Other Health Care Costs – These are medically necessary services provided by outside medical providers to meet the needs of individual residents. Examples include: pharmaceuticals, laboratory tests, physician visits, etc.

Other – Expenses such as:

1. the imputed value of services rendered by non-paid workers and volunteers;
2. expenses reimbursed from other state or federal funds;
3. costs of social, fraternal, civic, and other organizations that concern themselves with activities unrelated to their members' professional or business activities;
4. vending machines and related supplies;
5. board of director costs;
6. penalties, fines, and late charges;
7. automobiles and related accessories in excess of \$25,000.00 each. Buses and vans for resident transportation shall be reviewed for reasonableness and **may** exceed \$25,000.00 in costs;
8. provider or related party owned, leased, or chartered airplanes and related expenses;
9. bank overdraft charges or other penalties;
10. personal expenses not directly related to the provision of long-term resident care in a PRTF;
11. management fees paid to a related organization that are not clearly derived from the actual cost of materials,

- supplies, or services provided directly to an individual PRTF;
12. business expenses not directly related to the care of residents in a long-term care facility including business investment activities, stockholder activities, public relations activities, and farm and ranch operations;
 13. legal and other costs associated with litigation, unless the litigation is decided in the provider's favor;
 14. lobbying expenses and political contributions; or
 15. purchase discounts, allowances, and refunds shall be deducted from the cost of the items purchased. Refunds of prior years' expenses shall be deducted from the related expenses.

Provision for Income Taxes – Federal income and excess profit taxes, state or local income and excess profit taxes, taxes from which exemptions are available to the provider, taxes on property that is not used in providing covered services, self-employment taxes applicable to individual proprietors, partners, or members of a joint venture, and any interest or penalties paid on these taxes. In addition, interest and penalties paid on federal and state payroll taxes should be included in Non-reimbursable and Non-resident related items.

Resident Purchases – Report the expense for items purchased for residents but not listed as routine services or supplies.

SCHEDULE B – EXPENSE RECONCILIATION

General – This schedule shall be used to reconcile the expenses reported on the PRTF Financial and Statistical Report (Form KDADS-PRTF-01) to the provider's financial records and federal tax return.

The cost report automatically calculates the following:

Total Expenses per Books or Federal Tax Return – Record each cost center total from Schedule A, Column 2.

Total Provider Adjustments – Record each cost center total from Schedule A, Column 3.

Total Resident Related Expenses – Record each cost center total from Schedule A, Column 4.

Total Expenses per Cost Report – Total each column, line A through F.

Expenses on books or Federal Tax Return not on Cost Report - Itemize each expense reflected in the books or federal tax return and not included in the cost report. These expenses should be recorded on the column 1 under books and/or federal tax return. Include an additional detailed schedule if necessary to list expenses.

Total – Total lines G, H, and I. This total should equal the total from the working trial balance (books) or federal tax return.

SCHEDULE C – STATEMENT OF OWNERS AND RELATED PARTIES

General – List all owners of the provider entity with 5% or more ownership interest, and all related parties. Fill out Schedule C completely and accurately. Attach an additional schedule if more explanation or space is needed. Providers shall base all allocations on reasonable factual information and make the information available on request. Such information shall include details of dates, hours worked, nature of work performed, how it related to resident care, and the Kansas Civil Service wage rates for such activities.

ENTER – Name, Social Security number, and address.

Column (1) - % of ownership (if applicable) or state relationship to owner.

Column (2) - % of time devoted to this facility per customary workweek.

Column (3) – Total salaries, withdrawals, consulting fees, and other payments to owners and/or related parties.

Column (4) – List the titles, functions, or descriptions of the jobs performed or transactions made with all owners and related parties. The job classes should correspond with those included in the Kansas Civil Service classifications for comparable positions.

Column (5) – Enter the distribution, by cost report line item, of the total compensation incurred for all job functions. Owner/related party compensation shall be reported on the owner compensation expense lines in the related cost centers on Schedule A.

Totals – The total compensation in Column 3 and Column 5 should agree. These two totals should also agree with the total of cost report line items titled "Owner/related Party Compensation" from Schedule A.

SCHEDULE D – STATEMENT RELATED TO INTEREST ON ALL BONDS, LOANS, NOTES, AND MORTGAGES PAYABLE

Note: Failure to produce documentation of interest expense upon request is cause for disallowance. Schedules need to be submitted for related party loans showing the interest paid, check numbers, and dates payment were made.

Column (1a & 1b) – Enter the original date and duration of the loan in months.

Column (2) – Enter the interest rate. If it is a variable rate, provide the range of the interest rates for the cost report period.

Column (3) – Enter the amount of the loan.

Column (4) – Enter the unpaid principal balance at the end of the cost report period. The total of Column 4 must agree with the total from the Working Trial Balance.

Column (5) – Enter the total amount of interest and principal payments made during the cost report year.

Column (6) – Enter the total amount of interest incurred during the cost report year. The total of Column 6 must agree with the total interest report on Schedule A.

Enter each lender's name, address, and the items financed for each loan on a separate line. Indicate the Schedule A cost report line where the interest expense was reported. If interest expense on a loan is prorated to both lines, show the breakdown.

Enter the totals of Column 4 – Unpaid Balance, and Column 6 – Interest Expense. (Column 6 should match interest expense reported on Schedule A)

SCHEDULE E – REVENUE STATEMENT

A statement of revenue is required as part of the cost report. Revenue shall be reported in accordance with general accounting rules as recorded in the accounting records of the PRTF.

Revenue received for a service that is not related to client care shall be used to offset the cost of providing that service. The cost report line item which includes the non-resident related costs shall not be less than zero.

Expense recoveries credited to expenses accounts shall not be reclassified as revenue to increase the costs reported.

Column 1 – Enter the revenues from the general ledger accounts on the appropriate lines. Revenues from services not designated on this schedule must be identified and reported as "Other".

Column 2 – Enter the amount of the offset to the appropriate expense accounts. **Note the following:** The amount of the offset should be the cost of reimbursable expenses. Non-reimbursable items (i.e., Vending) are offset at cost.

Column 3 – Enter the line number of the expenses reported on the Expense Statement, Schedule A, against which the offset has been made. The amount of the offset must be entered in Column 3, Provider Adjustments, on the Expense Statement, Schedule A.

Other Revenue – Enter a description and, if necessary, attach an explanation.

Resident Purchases – Enter the total of all reimbursements for personal purchases, i.e., radios, snack items, school supplies, etc.

SCHEDULE F – FIXED ASSET, DEPRECIATION, AND AMORTIZATION QUESTIONNAIRE

Each question shall be answered completely and accurately.

Lines 1-7 – Complex Capital Structures:

Attach a complete explanation of the ownership/management structure of the PRTF including owners with 5% or more interest in the property and/or business, related parties as specified in the definitions, and all relevant contracts, leases, and assignments. This information must be accurate and comprehensive enough to present a true and clear account of the ownership and control of the facility.

If the facility is leased – A copy of the original lease agreement and subsequent amendments and/or agreements shall be available upon request of the agency. A provider making payments under Industrial Revenue Bonds with a nominal purchase upon maturity shall report the cost of ownership versus lease expense.

Line 10 – A new provider that purchases a facility shall submit a statement outlining details of the purchase and have available upon request of the agency copies of the loan agreement(s), and any other pertinent information concerning the transaction.

Line 11 – **Submit a copy of the detailed depreciation schedule with the cost report.** Each asset shall be listed with the cost, date of purchase, life, salvage value, accumulated depreciation expense, and current depreciation expense. Depreciation must be computed using the STRAIGHT LINE METHOD.

ATTENTION

The cost report is not considered complete unless all required documents are submitted with the cost reports.

DECLARATION STATEMENT

Declaration by Owner, Partner, or Officer of the Corporation, City, or County which is the Provider.

The cost report is not considered complete unless signed by an owner or authorized agent of the facility and/or business and the preparer. If person signing is not an owner or partner, documentation or a resolution stating their authority to sign needs to be attached. If the facility/business owner and the preparer are the same individual, please sign both spaces. Print the names of the owner/authorized agent and preparer in the space provided. **Please read, sign, and submit the declaration statement.**