

CHART OF ACCOUNTS
(For Facilities Which Serve State/County Special Assistance Residents)

**CHART OF ACCOUNTS TO BE UTILIZED BY HOMES WITH LICENSED CAPACITY OF 6 BEDS
OR LESS**

**FOR THE 2022-2023 COST REPORT PERIOD
RECEIPTS AND EXPENDITURES**

GENERAL GUIDELINES: For purposes of the 2022-2023 Cost Report, consolidated reports are no longer allowed to be submitted except for facilities which are licensed as cluster homes under The Rules for the Licensing of Adult Care Homes (Homes for the Aged) Section .1300 - Management (.1301 (4)) and Section .1900 - Management (.1901 (3)). In these cases, a separate Schedule A of the Cost Report for each licensed facility is required and consolidated Schedule B, C1, and D is permitted.

RECEIPTS:

RECEIPTS ON BEHALF OF STATE COUNTY SPECIAL ASSISTANCE RESIDENTS:

1. State / County Special Assistance to Adults
2. Social Security
3. Supplemental Security Income
4. Personal Care Services
5. Medical Transportation
6. Mental Health Revenues (DMA Mental Health monies (including Medicaid) as well as CAP and County allocated Mental Health monies)
7. Other (insurance, Veterans benefits, Railroad, etc.)
8. Refunds
9. PCS Over Payments or Recoupments

RECEIPTS FROM PRIVATE PAY RESIDENTS:

11. Private Pay Receipts (For example, Social Security, Supplemental Security Income, Medicaid, insurance, Veterans benefits, Railroad, etc.)
- 11a. 100% Private Pay (Non-SA eligible residents) – funds received from Non-SA residents to pay for residential services.
12. Mental Health Revenues
13. Refunds

Cost Report
Line Number

Description

NON-RESIDENT RELATED REVENUE:

- | | |
|-----|--|
| 15. | Receipts from Other Sources (i.e. guest meals) |
| 15a | SA Financial Assistance – for the temporary financial assistance funds granted by the General Assembly. There hasn't been any granted since the last funds ended on December 30, 2020. |
| 16. | Refunds |

EXPENDITURES:

DIRECT COST CENTERS

PERSONAL CARE SERVICES

THIS COST CENTER INCLUDES ALL ALLOWABLE COSTS RELATED TO PERSONAL CARE, HEALTH SERVICES AND INITIAL / ORIENTATION AID TRAINING COST CENTERS.

This is for all Personal Care, Health Services and Initial/Orientation Aide Training Services provided to S/A clients or private pay clients in the home.

The following is a list of tasks which can be included as personal care under the Personal Care Services Cost Center as referenced in Clinical Coverage Policy 3L, Section 3.3. and 3.4. The tasks and services should be performed at least once a week.

- I. Personal care allowed by NC State Plan:
 - Hands-on assistance to address unmet needs with qualifying ADLs;
 - Set-up, supervision, cueing, prompting, and guiding, when provided as part of the hands-on assistance with qualifying ADLs;
 - Assistance with home management IADLs that are directly related to the beneficiary's qualifying ADLs and essential to the beneficiary's care at home;
 - Assistance with medication when directly linked to a documented medical condition or physical or cognitive impairment;
 - Assistance with adaptive or assistive devices when directly linked to the qualifying ADLs;
 - Assistance with the use of durable medical equipment when directly linked to the qualifying ADLs;
 - Assistance with special assistance (assistance with ADLs that requires a Nurse aide II) and delegated medical monitoring tasks;

The following should be provided under EPSDT criteria for beneficiaries under 21 years of age:

- Supervision (observation resulting in an intervention) and monitoring (precautionary observation) related to qualifying ADLs;
- Cueing prompting, guiding and coaching related to qualifying ADLs;
- After school care if PCS tasks are required during that time and no other individuals or programs are available to provide this services;
- Additional hours of service authorization

PERSONAL CARE SERVICES- Continued

Medication assistance is covered when:

- Delivered in a private residence and consists of medication self-administration assistance described in 10A NCAC 13J;
- Delivered in an adult care home and includes medication administration as defined in 10A NCAS 13F and 13G;
- Delivered in a supervised living home and includes medication administration as defined in 10A NCAC 27G.

In addition, the cost to provide Health Services and Initial/Orientation Aide Training should be included in this cost center. The costs related to employees attending Initial/Orientation Aide Training including wages and travel expenses are also reported in this cost center.

- 1. Salaries / Wages for Aides**
All personal care services aide personnel salaries and wages. **Include costs in a lump sum to be keyed on line 13.**
- 2. Salaries / Wages for All Other**
All personal care services all other personnel salaries and wages. **Include costs in a lump sum to be keyed on line 13.**
- 3. Casual Labor (Incidental/Short-Term Employment)**
Cost of personal care services labor for incidental, short-term employment. **Include costs in a lump sum to be keyed on line 13.**
- 4. Payroll Taxes**
Cost of taxes paid by employer. Items include:
 - FICA
 - FUTA
 - SUTA**Include costs in a lump sum to be keyed on line 13.**
- 5. Employee Benefit Program**
Cost of benefits paid by employer. Items include:
 - Dental insurance
 - Health insurance
 - Life insurance
 - Retirement
 - Uniforms
 - Worker's compensation**Include costs in a lump sum to be keyed on line 13.**
- 6. Meetings / Seminars / Training**
Cost of personal care services personnel in attending meetings, seminars, and conferences. Items include:
 - Tuition / registration / fees
 - Training materials**Include costs in a lump sum to be keyed on line 13.**

PERSONAL CARE SERVICES- Continued

7. **Travel Costs**
Travel costs incurred by personal care services personnel to provide services to patients, to train facility personnel and other business related functions. Items include:
- Travel costs (mileage reimbursement, public transportation costs, etc.)
 - Lodging (hotel/motel) costs when incurred for business related purposes
 - Meals for facility personnel when incurred for business related purposes
 - Parking fees when incurred for business related purposes
- Include costs in a lump sum to be keyed on line 13.**
8. **Contract Services**
Cost of contracted personal care services.
Include costs in a lump sum to be keyed on line 13.
9. **Non-Legend Drugs and Medical Supplies**
Cost of non-prescription drugs and medical supplies. Items include:
- Non-prescription stock drugs
 - Adhesives
 - Dressings
 - Gauze
 - Gloves
 - Syringes
 - Incontinence supplies (disposable diapers, underpads, etc.)
 - Non-capitalized equipment (chart holder, drug chart, glucometer, humidifier, blood pressure cuff, physician scale, shower chair, stethoscope, suction machine, wheelchair, Geri chair, commode chair, etc.)
- Include costs in a lump sum to be keyed on line 13.**
10. **Legend Drugs**
Cost of those prescription drugs exceeding the Medicaid Drug Program pharmacy service limitation of six prescriptions per month per resident.
Include costs in a lump sum to be keyed on line 13.
11. **Beauty and Barber Shop**
Cost of furnishing beauty and barber services to residents. Items include:
- Beauty and barber supplies used for basic hair care services
 - Personal hygiene basic supplies (shampoo, razors, shaving cream, etc.)
- Include costs in a lump sum to be keyed on line 13.**
12. **Bloodborne Pathogens (OSHA)**
Cost of meeting OSHA standards for bloodborne pathogens and infectious materials. This includes supplies, protective equipment/clothing, vaccinations, training materials, hazard signs/labels, waste disposal, and medical records retention. **Include costs in a lump sum to be keyed on line 13.**
13. **Miscellaneous**
- The lump sum amount to include all costs from line items 1 through 12, plus any other personal care services items not considered in the above accounts.

HOUSEKEEPING / LAUNDRY, DIETARY and RECREATION

THIS COST CENTER INCLUDES ALL ALLOWABLE COSTS RELATED TO HOUSEKEEPING/LAUNDRY, DIETARY AND RECREATION COSTCENTERS.

- 21. Salaries and Wages**
All housekeeping/laundry, dietary and recreation salaries and wages.
- 22. Casual Labor (Incidental/Short-Term Employment)**
Cost of housekeeping/laundry, dietary and recreation labor for incidental, short-term employment.
- 23. Payroll Taxes**
Cost of taxes paid by employer. Items include:
- FICA
 - FUTA
 - SUTA
- 24. Employee Benefit Program**
Cost of benefits paid by employer. Items include:
- Dental insurance
 - Health insurance
 - Life insurance
 - Retirement
 - Uniforms
 - Worker's compensation
- 25. Meeting/Seminars/Training**
Cost of housekeeping/laundry, dietary and recreation personnel in attending meetings, seminars, training, and conferences. Items include:
- Tuition / registration / fees
 - Training materials
- 26. Travel Costs**
Travel costs incurred by housekeeping /laundry, dietary and recreation personnel to provide services to patients, to train facility personnel and other business related functions. Items include:
- Travel costs (mileage reimbursement, public transportation costs, etc.)
 - Lodging (hotel/motel) costs when incurred for business related purposes
 - Meals for facility personnel when incurred for business related purposes
 - Parking fees when incurred for business related purposes
- 27. Contract Services**
Include the costs incurred for all contract service personnel.
- 28. Linen and Bedding**
Cost of linen and bedding. Items include:
- Linens, bedding, Sheets
 - Mattresses, pillows and cases
 - Blankets, towels, washcloths
- 29. Food**
Cost of food and nutritional supplements. Items include:
- Meats, vegetables, dairy products, etc.

HOUSEKEEPING / LAUNDRY, DIETARY and RECREATION- Continued

30. Supplies

Cost of supplies for housekeeping/laundry, dietary and recreation. Items include:

- Housekeeping supplies: Cost of cleaning and laundry supplies and materials (brooms, mops, detergents, etc.), non-capitalized equipment (vacuum cleaner, mop bucket, buffer, linen cart, scale, marking machine, etc.).
- Dietary supplies: general kitchen supplies (plates, cups, forks, knives, cleaning supplies and materials for kitchen/dining area), non-capitalized equipment (blender, coffee urn, food cart, etc.).
- Recreational Supplies: art supplies, games, non-capitalized equipment (camera, VCR, stereo, typewriter, etc.).

31. Miscellaneous

Cost of housekeeping/laundry, dietary and recreation items not considered in the above accounts.

PROPERTY / OWNERSHIP / USE

This cost center includes all allowable costs related to the acquisition and/or use of the physical assets including building, fixed equipment and movable equipment.

For depreciation account numbers 41-44, the guidelines provided by the United States Internal Revenue Service for tax purposes should be followed.

41. Depreciation - Land Improvements

For depreciation, the guidelines provided by the United States Internal Revenue Service for tax purposes should be followed.

Cost of land improvements prorated over its expected life. Items include:

- Parking lots, curbs and guttering
- Sidewalks, landscaping

42. Depreciation - Buildings and Improvements

For depreciation, the guidelines provided by the United States Internal Revenue Service for tax purposes should be followed.

Cost of the building(s) and building improvements prorated over its expected life.

43. Depreciation - Equipment

For depreciation, the guidelines provided by the United States Internal Revenue Service for tax purposes should be followed.

Cost of equipment NOT affixed to building prorated over its expected life.

Items include:

- Office furniture and fixtures
- Patient's room furniture and fixtures
- Office machines and equipment
- Telephone equipment
- Kitchen equipment, laundry equipment
- Maintenance equipment, lawn mowers and tractors
- Specialized medical equipment
- Wheel chairs
- Specialized educational equipment
- Computer equipment and software

PROPERTY / OWNERSHIP / USE - Continued

44. **Depreciation - Automobiles**
 For depreciation, the guidelines provided by the United States Internal Revenue Service for tax purposes should be followed.
 Cost of the purchase of an automobile or van used by the home (other than cost applicable to medically related patient transportation) prorated over its expected life.
45. **Rent for Facility**
 Cost of renting or leasing facility where services are being provided to residents.
46. **Rent for Other Buildings / Land**
 Include rent of homes rented for staff to meet resident requirements; temporary storage, land etc.
47. **Rent for Other (Automobiles / Equipment)**
 Cost of leasing equipment. Items include:
- Copier rental
 - Computer equipment rental
 - Office furniture and equipment rental
 - Telephone equipment rental
 - Automobile leases (other than cost applicable medically related patient Transportation).
 - Patient furniture and equipment (other than cost applicable to medically related patient transportation).
 - Specialized medical equipment rental (other than cost applicable to medically related patient transportation).
 - Wheelchair rental (other than cost applicable to medically related patient transportation).
 - Other equipment rental (other than cost applicable to medically related patient transportation).
48. **Real Estate Taxes**
 Cost of all property taxes.
49. **Interest - Mortgage / Fixed Asset**
 Cost of all mortgage interest on fixed assets (NOT on operating capital). Items include:
- Land and land improvements
 - Buildings and buildings improvements
 - Equipment
 - Automobiles (other than interest cost related to medically related patient transportation)
50. **Interest – Other Capital Assets**
 Cost of all other capital interest on other capital assets (NOT on operating capital). Items include:
- Equipment
 - Automobiles (other than interest cost related to medically related patient transportation).

PROPERTY / OWNERSHIP / USE - Continued

- 51. Insurance - Fixed Assets**
Cost of all insurance on property ONLY. (NOT liability, worker's compensation, life, or other non-property insurance). Cost of all automobile insurance, including liability (other than cost applicable to medically related patient transportation).
- 52. Miscellaneous**
Cost of other property / ownership / use items not considered in above accounts.

MEDICALLY RELATED PATIENT TRANSPORTATION

This relates to the transportation of both Private Pay residents and Medicaid eligible residents. Include only actual transportation cost in this cost center. Waiting time is to be included in the Administration and General Services Cost Center. (All other transportation cost should be reported in the appropriate Cost Center based on the purpose of the transportation.)

- 61. Salaries / Wages**
Cost of all salaries and wages of personnel furnishing medically related patient transportation.
- 62. Casual Labor (Incidental/Short-Term Employment)**
Cost of labor for incidental, short -term employment applicable to medically related patient transportation.
- 63. Payroll Taxes**
Cost of taxes paid by employer applicable to medically related patient transportation.
- FICA
- FUTA
- SUTA
- 64. Employee Benefit Program**
Cost of benefits paid by employer applicable to medically related patient transportation. Items include:
- Dental insurance
- Health insurance
- Life insurance
- Retirement
- Uniforms
- Worker's compensation
- 65. Meetings / Seminars / Training**
Cost of transportation personnel attending meetings, seminars, and conferences. Items include:
- Tuition / registration / fees
- Training materials
- 66. Travel Costs**
Travel costs incurred by medically related patient transportation personnel to provide services to patients. Items include:
- Travel costs (mileage reimbursement, public transportation costs, etc.)

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Line Number

Description

- Parking fees when incurred for medically related patient transportation

MEDICALLY RELATED PATIENT TRANSPORTATION - Continued

- 67. Contract Services**
Cost of Contracted medically related patient transportation Services.
- 68. Depreciation - Automobiles**
Cost of the purchase of an automobile or van used for medically related patient transportation prorated over its expected life.
- 69. Rent - Equipment**
- All costs to rent or lease a vehicle used for medically related patient transportation.
 - All costs to rent or lease equipment used for medically related patient transportation.
- 70. Automobile & Truck Maintenance and Upkeep**
All costs to maintain and operate vehicles owned by the home used for medically related patient transportation. Items include:
- Registration fees
 - Gasoline
 - Oil
 - Tires
 - Lubrication
 - Vehicle repairs
- 71. Repairs and Maintenance - Equipment**
All material and labor cost to repair and maintain equipment used for medically related patient transportation. Items include:
- Wheelchair lift repair
- 72. Interest - Automobile**
All interest expense on vehicles used for medically related patient transportation.
- 73. Insurance - Automobile**
All insurance expense on vehicles used for medically related patient transportation.
- 74. Miscellaneous**
Cost of other medically related patient transportation items not considered in above accounts.

INDIRECT COST CENTERS

ADMINISTRATION and GENERAL

THIS COST CENTER INCLUDES ALL ALLOWABLE COSTS RELATED TO ADMINISTRATION AND OPERATIONS/MAINTENANCE COST CENTERS.

Administration and General Cost Center includes all costs needed to administer the facility including the staff costs for the administrator, assistant administrator, bookkeeping and secretarial personnel, etc. It includes the costs of data processing, dues and subscriptions, employee criminal records check fees, travel, legal and accounting fees, and a variety of other administrative costs. Also take in to account costs to operate or maintain the functionality and appearance of the facility. Examples include maintenance staff, utilities, repairs and maintenance on all equipment, automobiles, buildings and grounds.

- 81. **Salaries / Wages**
 All administration and general personnel salaries and wages.

- 82. **Casual Labor (Incidental/Short-Term Employment)**
 Cost of labor for incidental, short-term employment.

- 83. **Payroll Taxes**
 Cost of taxes paid by employer. Items include:
 - FICA
 - FUTA
 - SUTA

- 84. **Employee Benefit Program**
 Cost of benefits paid by employer. Items include:
 - Dental insurance
 - Health insurance
 - Life insurance
 - Retirement
 - Uniforms
 - Worker's compensation

- 85. **Meetings / Seminars / Training**
 Cost of personnel attending meetings, seminars, and conferences. Items include:
 - Tuition / registration / fees
 - Training materials

- 86. **Travel Costs**
 Travel costs incurred by the facility to provide services to its patients, training facility personnel and other business related functions. Items include:
 - Travel costs (mileage reimbursement, public transportation costs, etc.)
 - Lodging (hotel/motel) costs when incurred for business related purposes
 - Meals for facility personnel when incurred for business related purposes
 - Parking fees when incurred for business related purposes

- 87. **Contract Services**
 Cost of contracted services.

- 88. **Employee Criminal Record Check Fees**

Cost of employee criminal record check fees.

ADMINISTRATION and GENERAL - Continued

- 89. Office Supplies and Materials**
Cost of office supplies and other administrative supplies. Items include:
- General office supplies
 - Printed forms
 - Letterhead and envelopes
 - Checks, deposit slips, and other banking forms
 - Non-capitalized equipment (fax machine, calculator, etc.)
 -
- Cost of operation/maintenance: chemicals supplies. Items include:
- Shop supplies
 - Tools
 - Gasoline and oil for lawn equipment
 - Not-capitalized equipment (lawn mower, etc.).
- 90. Management Services/Fees**
Cost of contracted management services.
- If a management company performs any direct care services and maintains time records to document the performance of those services, then the costs associated with the direct care services should be identified in the appropriate cost center as a contracted service. DO NOT INCLUDE THOSE COSTS ON THIS LINE.
- 91. Central Office Overhead**
Cost of central office allocated to home for centralized services furnished by a home office.
- If you have more than one facility, the basis of the allocation among facilities may be: (A) specific time records of work performed at each facility, or (B) patient days in each facility to which the costs apply relative to the total patient days in all the facilities to which the costs apply.
- 92. Interest - Operating**
Financing cost of operating capital for other than fixed assets (land, buildings, equipment, automobiles, etc.). Items include:
- Interest on operating loans
 - Fees for general lines of credit
 - Interest on credit card purchases
 - Interest on other revolving credit purchases
- 93. Advertising**
Cost of brochures, pamphlets, and all promotional and public relations expenses.
- 94. Amortization**
Cost of current write-off of capitalized items. Items include:
- Cost of establishing the entity or organization

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95. **Data Processing**
Cost of operating a data processing unit or contracted computer services.
Items include:
- Contracted data processing services
 - Software expense
 - Data processing supplies

ADMINISTRATION and GENERAL - Continued

96. **Legal and Accounting**
Cost of acquiring contracted legal and accounting services for home's operations.
97. **Audit**
Cost of having an audit or agreed-upon procedures engagement performed on the cost report by an independent accountant or Certified Public Accountant (CPA).
98. **Telephone and Telegraph**
Cost of telephone and telegraph services for all communication services (including pagers).
99. **Travel and Entertainment**
Cost of travel and entertainment for business purposes.
100. **Dues and Subscriptions**
Cost of membership in professional societies, cost of trade journals and publications, and cost of subscriptions to newspapers and magazines for residents.
101. **Insurance - General**
Cost of all business insurance not related to property or employees.
102. **Licenses**
Cost of federal, state, and local licensing fees.
103. **Bad Debts**
Cost of bad debts in circumstances where a resident with SSI or Social Security coverage is served by an Adult Care Home and this revenue is diverted from paying for the cost of care. Costs of this nature shall be limited to one occurrence of a consecutive resident stay not to exceed sixty (60) days.
104. **Postage**
Cost of postage.
105. **Automobile & Truck Maintenance and Upkeep**
Cost of all maintenance and upkeep on vehicles owned by the home (other than cost applicable to medically related patient transportation. Items include:
- Registration fees, gasoline, oil, tires
 - Lubrication, vehicle repairs
106. **Repairs and Maintenance - Buildings and Grounds**
Cost of all materials and labor to repair and maintain buildings and grounds.

ADMINISTRATION and GENERAL - Continued

- 107. Repairs and Maintenance - Equipment**
Cost of all materials and labor to repair and maintain equipment (other than cost applicable to medically related patient transportation). Items include:
- Office equipment, furniture, and fixtures
 - Plant machinery and equipment
- 108. Utilities**
Cost for all utilities. Items include:
- Electricity
 - Gas (natural gas, propane, butane - NOT gasoline)
 - Fuel (fuel oil used to heat/cool building - NOT gasoline)
 - Water (water and sewer services)
- 109. Sanitary and Pest Control**
Cost of sanitation (garbage) and pest control services.
- 110. Miscellaneous**
Cost of other administration and general items not considered in above accounts.

NON-REIMBURSABLE

Providers have a responsibility to operate economically and efficiently so that their costs are reasonable. Providers are required to provide services at the lowest possible costs in compliance with Federal and State laws, regulations for licensing and certification, and standards for quality of care and patients' safety. Providers are also responsible for the financial actions of their agents (e.g., management companies) in this regard.

- 121. Miscellaneous**
Examples include and are consistent with non-reimbursable nursing home costs:
- Fireworks
 - Luxury items (especially luxury vehicles)
 - Owner's personal use of company vehicle
 - Personal travel cost
 - Tobacco products or alcoholic beverages (unless prescribed by a licensed physician)
 - Entertainment costs for owners/operators (such as tickets to sporting events, concerts, ski trips, cruises). However, costs incurred for purposes of employee morale, specifically, annual employee picnic, annual Christmas party, annual employee award ceremony, sponsorship of employee athletic program are allowable to the extent they are reasonable.
 - Professional musicians
 - Vending machine expenses (see note below)
 - State or federal corporate income taxes, plus any penalties and interest
 - Bad debts other than those listed in line 103
 - Life insurance (except for employee group plans)
 - Contributions, including political or church-related, charity and courtesy allowances
 - Penalties or interest on income taxes

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- Personal income taxes, plus any penalties and interest
- Retainers, (unless itemized services of equal value have been rendered)
- Country club dues
- Fines or penalties

Note: For those non-allowable expenses that generate income, such as prescription drugs, vending machines, etc., expense should be identified as a miscellaneous non-reimbursable cost when determinable. If the provider cannot determine the proper amount of expense that is to be identified, then the income that was generated must be offset in full to the appropriate cost center.

MENTAL HEALTH COSTS

(FOR USE BY FACILITIES RECEIVING MENTAL HEALTH FUNDING)

This cost center includes the cost of all mental health, therapy, and physician services and supplies separately reimbursed by Local Management Entity – Managed Care Organization (LME-MCO) OR Medicaid or Medicare Part B.

- 131. Salaries / Wages**
All mental health, therapy and physician service personnel salaries and wages.
Items include:
- Physician fees
 - Ambulance service
 - Physicians' fees for other than utilization review or medical directors or medical consultants as required by law
 - Physical therapy
 - Occupational therapy
 - Speech therapy
 - Oxygen therapy
 - Parenteral/enteral therapy
- 132. Casual Labor (Incidental/Short-Term Employment)**
Cost of mental health service labor for incidental, short -term employment.
- 133. Payroll Taxes**
Cost of taxes paid by employer. Items include:
- FICA
 - FUTA
 - SUTA
- 134. Employee Benefit Program**
Cost of benefits paid by employer. Items include:
- Dental insurance
 - Health insurance
 - Life insurance
 - Retirement
 - Uniforms
 - Worker's compensation
- 135. Meetings / Seminars / Training**
Cost of mental health service personnel attending meetings, seminars, and conferences. Items include:
- Tuition / registration / fees
 - Training materials
- 136. Travel Costs**
Travel costs incurred by mental health contracted services personnel to provide services to patients, to train facility personnel and other business related functions. Items include:
- Travel costs (mileage reimbursement, public transportation costs, etc.)
 - Lodging (hotel/motel) costs when incurred for business related purposes
 - Meals for facility personnel when incurred for business related purposes
 - Parking fees when incurred for business related purposes

MENTAL HEALTH COSTS - Continued

- 137. Contract Services**
Cost of contracted mental health, therapy and physician services. Items include:
- Physician fees
 - Ambulance service
 - Physicians' fees for other than utilization review or medical directors or medical consultants as required by law
 - Physical therapy
 - Occupational therapy
 - Speech therapy
 - Oxygen therapy
 - Parenteral/enteral therapy
 - Radiology
 - Laboratory
 - Dental work
- 138. Supplies**
Cost of supplies for mental health services. Items include:
- Life sustaining equipment, such as oxygen concentrators, respirators, and ventilators and other specifically approved equipment
 - Intravenous fluids
 - Billable medical supplies
 - Glasses & hearing aids
- 139. Miscellaneous**
Cost of other mental health service items not considered in above accounts.

RELATED PARTY EXPENSES – Schedule D

Nursing Homes are exempt from completing/preparing the Related Party Transactions.

Definitions:

- A. **“Related to the home”** means that the home to a significant extent is associated or affiliated with, or has control of, or is controlled by, the organization and/or individual furnishing the services, facilities, or supplies.
- B. **“Common ownership”** exists when an individual or individuals possess significant ownership or equity in the home and the institution or organization serving the home.
- C. **“Control”** exists where an individual or an organization has the power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution. The term "control" includes any kind of control, whether or not it is legally enforceable and however it is exercisable or exercised. It is the reality of the control that is decisive, not its form or the mode of its exercise.
- D. **“Necessary services”** are those services needed for the efficient operation and sound management of the facility such that had the owners or owner-related individual not rendered the services, the facility would have had to employ another person to perform the services.
- E. **“Ownership interest”** means the entitlement to a legal or equitable interest in any property of the facility whether such interest is in the form of capital, stock, or profits of the facility.
- F. **“Owner”** – An owner shall be considered any individual with a 5% or more ownership interest in the facility.
- G. **“Owner-Related Individual”** – An owner-related individual shall be considered an individual who is a member of an owner’s immediate family which includes spouse, natural or adoptive parent, natural or adopted child, stepparent, stepchild, sibling or stepsibling, in-laws, grandparents and grandchildren.
- H. **“Compensation”** means the total benefits received by the owner for the services he/she renders to the institution. Such compensation shall include:
 - (1) Salary amounts paid for managerial, administration, professional, and other services
 - (2) Amounts paid by the institution for the personal benefits of the proprietor
 - (3) The costs of assets and services which the proprietor receives from the institution
 - (4) Deferred compensation
 - (4) Compensation reported for tax purposes

In determining whether a home is related to a supplying organization and/or individual, the tests of common ownership and control are to be applied separately. If the elements of common ownership or control are not present in both organizations, the organizations are deemed not to be related to each other.

The existence of an immediate family relationship will create an irrefutable presumption of relatedness through control or attribution of ownership or equity interests. The following persons are considered immediate family for Adult Care Program purposes:

- (1) Husband and wife
- (2) Natural parent, child and sibling
- (3) Adopted child and adoptive parent

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RELATED PARTY EXPENSES – Schedule D - Continued

- (4) Step-parent, step-child, step-sister, and step-brother
- (5) Father-in-law, mother-in-law, sister-in-law, brother-in-law, son-in-law, and daughter-in-law
- (6) Grandparent and grandchild

Some examples of common types of transactions between related parties are:

- (a) Sales
- (b) Purchases
- (c) Transfers of realty and personal property
- (d) Services received or furnished, for example:
 - Accounting
 - Management
 - Engineering,
 - Legal service
- (e) Use of property and equipment by lease or otherwise
- (f) Borrowing and lending
- (g) Guarantees
- (h) Maintenance of bank balances as compensating balances for the benefit of another
- (i) Intercompany billings based on allocations of common costs
- (j) Filings of consolidated tax returns

General Instructions – Schedule D:

For each type of related party cost/expense, please complete the following fields:

- (1) Description of the expense/cost line item
- (2) Identification of the line item number and the Cost Center that the expense/cost was reported under
- (3) Name of the Related Party (organization and/or individual)
- (4) Description of the relationship between the related party and the home

Examples are:

- Parent company
 - Subsidiary
 - Subsidiary of a common parent company
 - Principal owner
 - Immediate family of principal owners
 - Management
 - Immediate family of management
 - Affiliate (a party that, directly or indirectly through one or more intermediaries, controls, is controlled by, or is under common control with the home)
 - Different divisions within the same company
- (5) Total amount of the related party transaction/expense
 - (6) Total number of paid hours, if applicable, that corresponds to the expense (salaries and wages, casual labor and contract services) being reported

RELATED PARTY EXPENSES – Schedule D - Continued

Compensation to Owners and Owner Related Individuals:

Allowability of Compensation and Recordkeeping Requirements

Owners of provider organizations often render services as managers, administrators, or in other capacities. In such cases, it is equitable that reasonable compensation for the necessary services rendered be an allowable cost. To do otherwise would disadvantage such owners in comparison with corporate providers or providers employing non-owners to perform the same services.

Distribution of profits is a form of compensation paid to a proprietor. However, this form of compensation is **not an allowable cost** of the facility because it is not contingent on performance of necessary services. Where a proprietor renders necessary services for the institution, the institution is, in effect, employing his services and a reasonable compensation for these services is an allowable cost. The salaries of owners and owner-related employees are subject to the requirements of reasonableness. Reasonableness of compensation will be determined by reference to or in comparison with compensation paid for comparable services and responsibilities in comparable institutions or it may be determined by other appropriate means. Where the services are rendered on less than a full-time basis, the allowable compensation should reflect an amount proportionate to a full-time basis.

Compensation for services of owners and owner-related employees shall be allowable cost provided these services are adequately documented to be necessary, and such employees are adequately documented to be qualified to provide these services. Adequate documentation shall include but not limited to:

- (1) Date and time of services contemporaneous recordkeeping
- (2) Position description
- (3) Individual's educational qualifications, professional title, and work experience
- (4) Type and extent of ownership interest
- (5) Relationship to and name of owner (if an owner-related individual)