
Medicare

Provider Reimbursement Manual

Part 2, Provider Cost Reporting Forms and Instructions, Chapter 35, Form HCFA-2540-96

Department of Health and Human Services (DHHS)
HEALTH CARE FINANCING ADMINISTRATION (HCFA)

Transmittal 9

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NEW/REVISED MATERIAL--EFFECTIVE DATE: See Below.

This transmittal updates Chapter 35, Skilled Nursing Facility, and Skilled Nursing Facility Health Care Complex Cost Report, Form HCFA 2540-96 to reflect the changes required by the Balanced Budget refinement Act (BBRA), and to further clarify existing instructions. The effective dates for these instructional changes will vary due to various implementation dates established by the BBRA.

ELECTRONIC REPORTING SPECIFICATIONS EFFECTIVE DATE: For Cost Reporting Periods Ending On or After September 30, 2000.

DISCLAIMER: The revision date and transmittal number only apply to the redlined material. All other material was previously published in the manual and is only being reprinted.

Columns 22 and 23.--The average number of employees (full-time equivalent) for the period may be determined either on a quarterly or semiannual basis. When quarterly data are used, add the total number of hours worked by all employees on the first payroll at the beginning of each quarter and divide the sum by four times the number of hours in the standard work period. When semiannual data are used, add the total number of hours worked by all employees on the first payroll of the first and seventh months of the period, and divide this sum by two times the number of hours in the standard work period. Enter the average number of paid employees in column 22 and the average number of non-paid worker's in column 23 for each component, an applicable.

3509.1 Part II - SNF Wage Index Information.--This part provides for the collection of skilled nursing facility and nursing facility data to develop an SNF wage index that is applied to the labor related portion of the SNF cost limits. The Social Security Act Amendments of 1994 (P.L. 103-432) requested the Secretary to begin collecting data on employee compensation and hours of employment specific to skilled nursing facilities for the purposes of constructing an SNF wage index. In order to collect the data necessary to develop an SNF wage index, HCFA has developed an SNF wage index form, as part of the cost report, to be completed by all SNFs.

NOTE: Any line reference for Worksheets A and A-6 includes all subscripts of that line.

Line 1.--Enter the wages and salaries paid to employees from Worksheet A, column 1, line 75.

Line 2.--Enter physician salaries paid to employees which are included on Worksheet A, column 1, line 75.

Line 3.--Enter the total physician and physician assistant salaries and wage related costs that are related to patient care and are included on line 1. Under Medicare, these services are billed separately under Part B.

Line 4.--Enter from Worksheet A the sum of salaries reported in column 1 of line 14 for interns and residents. Base the hours reported in column 4 on 2080 hours per each full time intern and resident employee.

Line 5.--If you are a member of a chain or other related organization, as defined in HCFA Pub 15-I, 2150, enter the allowable wages and salaries and wage related costs for home office personnel from your records that are included in line 1.

Line 6.--Enter the sum of lines 2 through 5.

Line 7.--Subtract line 6 from line 1 and enter the result.

Line 8.--Enter the total of Worksheet A, column 1, line 19. This amount represents other long term care.

Line 9.- For cost reports ending on and after 11/30/1999, do not use this line.

Line 10.--Enter the amount from Worksheet A, column 1, line 49.

Line 11.--Enter the total of Worksheet A, column 1, lines 37 through 47. If these lines are subscripted to accommodate more than one HHA, also enter the total of the subscripted lines.

Line 12.--Enter the amount from Worksheet A, column 1, line 50.

Line 13.--Enter the amount from Worksheet A, column 1, line 55.

Line 14.--Enter the amount from Worksheet A, column 1, lines 58 through 63.

Line 15.--Enter the sum of lines 8 through 14.

Line 16.--Subtract line 15 from line 7 and enter the result.

Line 17.--Enter the amount paid (include only those costs attributable to services rendered in the SNF and/or NF), rounded to the nearest dollar, for contracted direct patient care services, i.e., nursing, therapeutic, rehabilitative, or diagnostic services furnished under contract rather than by employees and management contract services as defined below. Report only those personnel costs associated with these contracts. Eliminate all supplies and other miscellaneous items. Do not apply the guidelines for contracted therapy services under §1861(v)(5) of the Act and 42 CFR 413.106. For example, you have a contract with a nursing service to supply nurses for the general routine service area on weekends. Contracted labor for purposes of this worksheet does **NOT** include the following services: consultant contracts, billing services, legal and accounting services, Part A CRNA services, clinical psychologists and clinical social worker services, housekeeping services, planning contracts, independent financial audits, or any other service not directly related to patient care.

Include the amount paid (rounded to the nearest dollar) for contract management services, as defined below, furnished under contract rather than by employees. Report only those personnel costs associated with the contract. Eliminate all supplies, travel expenses, and other miscellaneous items. Contract management is limited to the personnel costs for those individuals who are working at the facility in the capacity of chief executive, chief operating officer, chief financial officer, or nursing administrator. The titles given to these individuals may vary from the titles indicated above. However, the individual should be performing those duties customarily given these positions.

For purposes of this worksheet, contract labor does **NOT** include the following services: other management or administrative services, consultative services, unmet physician guarantees, physician services, clinical personnel, security personnel, housekeeping services, planning contracts, independent financial audits, or any other services not related to the overall management and operation of the facility.

Per instructions on Form HCFA-339, details, including the type of service, wages, and hours associated with each direct patient care related contract must be submitted to your intermediary as well as the aggregate total wages and hours for management contracts.

In addition, if you have no contracted labor as defined above or management contract services, enter a zero in column 1. If you are unable to accurately determine the number of hours associated with contracted labor, enter a zero in column 1.

Column 4.01.--Enter the number of demonstration inpatient days applicable to each group associated with the rate in effect January 1 through the end of your fiscal year. Enter the total on line 46.

Add the amounts on line 46, columns 3.01 and 4.01, and enter the result on Worksheet E, Part V, line 2.

Column 5.--Calculate the total for each revenue group by multiplying the rate by the days covered by that rate. Where you must report two rates and two sets of days for each group, multiply the rate in column 3 by the days in column 3.01. Multiply the second rate in column 4 by the days in column 4.01. For each line (group), add the product of column 3 multiplied by the 3.01 plus the product of columns 4 multiplied by 4.01, and enter the result in column 5 on the same line. Add lines 1 through 45, column 5, and enter the total on line 46. Transfer column 5, line 46, to Worksheet E, Part V, line 6.

3514.2 Part II- PPS Statistical Data.--Complete this part for cost reporting periods beginning on and after July 1, 1998. Use this part to report the Medicare days of the provider by RUG. The total on line 46 must agree with the amount on Worksheet S-3, column 4 line. This part has been revised with the issuance of Transmittal # 5. As of the issuance of Transmittal # 5, Part II has been replaced with Part III, and should not be completed.

3514.3 Part III - PPS Statistical Data.-- **Complete Part III for cost reporting periods beginning on or after July 1, 1998.** Use this part to report the Medicare days of the provider by RUG. The required information is for the provider's transition periods.

Transition Period.--Indicate the applicable transition period. Your fiscal intermediary will provide you with this status. Example: If your cost report year begins on July 1, 1998, check the box for year number 1. For the next fiscal year beginning on July 1, 1999, check the box for year number 2. For the following fiscal year beginning on July 1, 2000, check the box for year number 3. For the last fiscal year in the transition period beginning on July 1, 2001, check the box for year number 4.

EXCEPTION: THE TRANSITION PERIOD PAYMENT METHOD DOES NOT APPLY TO F THAT (1) ELECTED FOR IMMEDIATE TRANSITION TO FEDERAL RATE UNDER §102 OF THE BALANCED BUDGET REFINEMENT ACT OF 1999, OR (2) **FIRST** RECEIVED MEDICARE PAYMENTS (INTERIM OR OTHERWISE) ON OR AFTER OCTOBER 1, 1995 UNDER PRESENT OR PREVIOUS OWNERSHIP. THESE FACILITIES ARE PAID BASED ON ONE HUNDRED PERCENT (100%) OF THE FEDERAL RATE. Enter this rate in column 5.

For the first year of the provider's transition period, the PPS rate will be twenty-five percent (25%) of the Federal Case Mix Rate and seventy-five percent (75%) of the Facility Specific Rate. In the second year of the Provider's transition period, the PPS rate will be fifty percent (50%) of the Federal Case Mix Rate and fifty percent (50%) of the Facility Specific Rate. For the third year of the Provider's transition period, the PPS rate will be seventy-five percent (75%) of the Federal Case Mix Rate and twenty-five percent (25%) of the Facility Specific Rate. For the fourth and final year of the Provider's transition period, the PPS rate will be one hundred percent (100%) of the Federal Case Mix Rate. See columns 9 and 10 below.

Column 2.-- Enter the **Facility Specific Rate** on each applicable RUG line.

Column 3.-- Enter the Federal Case Mix rate (**adjusted for the labor portion by the update factor specific to the provider's MSA**) applicable to each RUG for services from the beginning of the fiscal year through September 30.

Column 4.--Enter the number of days applicable to each RUG for services from the beginning of the fiscal year through September 30.

Columns 5 and 5.01.—Enter in column 5 the Federal Case Mix (adjusted for the labor portion by the update factor specific to the provider’s MSA) rate times 104%, applicable to each NON-High-Cost RUG for services from October 1, through the end of the fiscal year. Enter in column 5.01 the Federal Case Mix rate times 124%, applicable to each High-Cost RUG (listed above) for services from October 1, through the end of the fiscal year.

Columns 6 and 6.01.—Enter in column 6 the number of days applicable to ALL RUGs for services from October 1 through the end of the fiscal year. Enter in column 6.01 the number of days applicable to each High-Cost RUG (listed above) for services from October 1 through the end of the fiscal year. (This should be the same amount that is reported in column 5 for that RUG.)

The total on line 75, columns 4 and 6 must agree with the amount on Worksheet S-3, Part I, column 4, line 1.

Do not use columns 3 and 4 for a cost report period that begins on October 1. Report the applicable Federal Case Mix rates in column 5 for each NON-High-Cost RUG. Report Medicare days for ALL RUG’s in column 6. Report the applicable High-Cost Rates in column 5.01, and the High Cost Days in column 6.01. (This should be the same amount that is reported in column 5 for that RUG.)

Column 7.—Multiply the rates in column 3 times the days in column 4. Round to zero places. Multiply the rates in column 3.01 times the days in column 4.01. Round to zero places. Multiply the rates in column 5 times the days in column 6. Round to zero places. Multiply the rates in column 5.01 times the days in column 6.01. Round to zero places. Add the results from column 4, 4.01, 6, and 6.01. Enter the combined total on each line. Round each line in column 7 to zero decimal places.

Column 8.—Multiply the Facility Specific rate times the total program annual days (sum of columns 4, 4.01, and 6) for each RUG, and enter the product in column 8.

Columns 9.—Multiply the Federal amount in column 7 times your transition period percentage. I.E. year # 1 is 25%, year # 2 is 50%, year # 3 is 75%, and year # 4 and forward is 100%. Enter the results on the appropriate line for each RUG. Enter the sum of lines 1 through 45 on line 75.

Column 10.—Multiply the facility specific amount times the reciprocal percentage applied to the Federal rate, I.E. 75%, 50%, 25%, or 0%. Enter the result on the appropriate line for each RUG. Enter the sum of lines 1 through 45 on line 75. Add the amount in column 9, line 75, plus the amount in column 10, line 75, together, and transfer this total to Worksheet E, Part III, line 7.

SPECIAL INSTRUCTIONS TO CALCULATE THE INCREASE FOR CERTAIN HIGH-COST PATIENTS, EFFECTIVE FOR SERVICES FURNISHED ON AND AFTER APRIL 1, 2000.

Section 101 of the Balanced Budget Refinement Act of 1999 (BBRA, P.L. 106-113, Appendix F) provides for a temporary, 20% increase in payment for 15 specified RUGs (listed below). The BBRA provides that this 20% increase becomes effective for services furnished beginning on April 1, 2000, and remains in effect until the date that HCFA implements a refined case-mix classification system. The following is a list of the affected RUGs along with the corresponding line on Worksheet S-7, Part III.

HIGH – COST RUGS

<u>RUG</u>	<u>Line #</u>	<u>RUG</u>	<u>Line #</u>	<u>RUG</u>	<u>Line #</u>
RHC	7	RMC	10	RMB	11
SE3	15	SE2	16	SE1	17
SSC	18	SSB	19	SSA	20
CC2	21	CC1	22	CB2	23
CB1	24	CA2	25	CA1	26

Subscript columns 3 and 4 of this worksheet to columns 3.01 and 4.01 respectively. Identify column 3.01 as “Federal Rate – High Cost Add-On”, (for services between April 1, 2000 and September 30, 2000). Identify column 4.01 as “Add-On Days” (for services between April 1, 2000 and September 30, 2000). Enter in column 3.01 for each of the 15 lines identified above, 20% of the amount on the corresponding line in column 3. Enter in column 4.01 the days applicable to services, for the 15 lines listed above, from April 1, 2000 through September 30, 2000, or the end of the fiscal year.

NOTE: Where the fiscal year ends between April 2, 2000 and September 30, 2000, the provider should report in column 4.01 only the days applicable for April 1 through the end of the fiscal year. The days from the beginning of the next fiscal year through September 30, 2000 will be reported in column 4.01 of the subsequent cost report.

Section 101 of the BBRA also provides for an additional 4 percent increase in payment for ALL services furnished during fiscal years (FYs) 2001 and 2002. Therefore, for services furnished after September 30, 2000, and before October 1, 2002, columns 5 and 6 of this worksheet should be subscripted to columns 5.01 and 6.01, respectively. Identify column 5.01 as “Federal Rate – High Cost Add-On” (for services after September 30), and identify column 6.01 as “Add-On Days” (for services after September 30).

All of the NON high cost RUG rates will be increased by 4 percent. Enter in column 5, the Federal Case Mix Rate times 104 percent for the following RUG's:

NON - HIGH – COST RUGS

<u>RUG</u>	<u>Line #</u>	<u>RUG</u>	<u>Line #</u>	<u>RUG</u>	<u>Line #</u>
RUC	1	RUB	2	RUA	3
RVC	4	RVB	5	RVA	6
RHB	8	RHA	9	RMA	12
RLB	13	RLA	14	IB2	27
IB1	28	IA2	29	IA1	30
BB2	31	BB1	32	BA2	33
BA1	34	PE2	35	PE1	36
PD2	37	PD1	38	PC2	39
PC1	40	PB2	41	PB1	42
PA2	43	PA1	44	Default Rate	45

3551. WORKSHEET J-1 - ALLOCATION OF GENERAL SERVICE COSTS TO OUTPATIENT REHABILITATION PROVIDER COST CENTERS

Use this worksheet if you operate a SNF-based CORF, a SNF-based CMHC, a SNF-based OPT, a SNF-based OOT, or a SNF-based OSP. Complete a separate worksheet for each provider.

3551.1 Part I - Allocation of General Service Costs to Outpatient Rehabilitation Provider Cost Centers.--Worksheet J-1, Part I, provides for the allocation of the expenses of each general service cost center to those cost centers which receive the services. Obtain the total direct expenses (column 0, line 22) from Worksheet A, column 7, line 50. Obtain the cost center allocation (column 0, lines 1 through 21) from your records.

3551.2 Part II - Computation of Unit Cost Multiplier for Allocation of Outpatient Rehabilitation Provider Administrative and General Costs.--

3551.3 Part III - Allocation of General Service Costs to Outpatient Rehabilitation Provider Cost Centers - Statistical Basis.--Worksheet J-1, Parts II and III provide for the proration of the statistical data needed to equitably allocate the expenses of the general service cost centers on Worksheet J-1, Part I.

To facilitate the allocation process, the general format of Worksheet J-1, Parts I and III, is identical.

The statistical basis shown at the top of each column on Worksheet J-1, Part III is the recommended basis of allocation of the cost center indicated.

NOTE: A change in order of allocation and/or allocation statistics is appropriate for the current fiscal year if received by the intermediary, in writing, within 90 days prior to the end of the fiscal year. The intermediary has 60 days to make a decision or the change is automatically accepted. The change must be shown to more accurately allocate the overhead cost, or if the change is as accurate, is changed due to simplification of maintaining the statistics. If a change in statistics is made, the provider must maintain both sets of statistics until an approval is made. If both sets of statistics are not maintained and the request is denied, the provider reverts back to the previously approved methodology. The provider must include with the request all supporting documentation and a thorough explanation of why the alternative approach should be used.

Lines 1 through 21.--On Worksheet J-1, Part III, for all cost centers to which the general service cost center is being allocated, enter that portion of the total statistical base applicable to each.

Line 22.--Enter the total of lines 1 through 21 for each column. The total in each column must be the same as shown for the corresponding column on Worksheet B-1, line 50.

Line 23.--Enter the total expenses of the cost center to be allocated. Obtain this amount from Worksheet B, Part I, line 50, from the same column used to enter the statistical base on Worksheet J-1, Part III (e.g., in the case of capital-related cost buildings and fixtures, this amount is on Worksheet B, Part I, column 1, line 50).

Line 24.--Enter the unit cost multiplier which is obtained by dividing the cost entered on line 23 by the total statistic entered in the same column on line 22. Round the unit cost multiplier to six decimal places.

Multiply the unit cost multiplier by that portion of the total statistics applicable to each cost center receiving the services. Enter the result of each computation on Worksheet J-1, Part I in the corresponding column and line.

After the unit cost multiplier has been applied to all the cost centers receiving the services, the total cost (line 22, Part I) must equal the total cost on line 23, Part III.

Perform the preceding procedures for each general service cost center.

In column 16, Part I, enter the total of columns 3a through 15.

In Part II, compute the unit cost multiplier for allocation of the components' administrative and general costs as follows.

Line 1.--Enter the amount from Part I, column 18, line 22.

Line 2.--Enter the amount from Part I, column 18, line 1.

Line 3.--Subtract the amount on line 2 from the amount on line 1 and enter the result.

Line 4.--Divide the amount on line 2 by the amount on line 3 and enter the result rounded to six decimal places.

In column 19, Part I, for lines 2 through 21, multiply the amount in column 18 by the unit cost multiplier on line 4, Part II, and enter the result in this column. On line 22, enter the total of the amounts on lines 2 through 21. The total on line 22 equals the amount on column 18, line 1.

In column 20, Part I, enter on lines 2 through 21 the sum of the amounts in columns 18 and 19. The total in column 20, line 22 must equal the total in column 18, line 22.

3552. WORKSHEET J-2 - COMPUTATION OF COMPONENT COSTS

Use this worksheet if you operate a SNF-based CORF, a SNF-based CMHC, a SNF-based OPT, a SNF-based OOT, or a SNF-based OSP. Complete a separate worksheet for each provider.

3552.1 Part I - Apportionment of Outpatient Rehabilitation Provider Cost Centers.--

Column 1.--Enter on each line the total cost for the cost center as previously computed on Worksheet J-1, Part I, column 20. To facilitate the apportionment process, the line number designations are the same on both worksheets.

Column 2.--Enter the charges for each cost center. Obtain the charges from your records.

Column 3.--For each cost center, enter the ratio derived by dividing the cost in column 1 by the charges in column 2.

Columns 4, 6, 8 and 8.01.--For each cost center, enter the charges from your records for title V, title XVIII, and title XIX patients, respectively. Not all facilities are eligible to participate in all programs. For cost reporting periods which overlap August 1, 2000, you must subscript column 8, and column 9, to report CMHC charges and costs. Charges before August 1, 2000 are reported in column 8. Charges on or after August 1, 2000 are reported in column 8.01 to accommodate the implementation of prospective payment. For cost reporting periods beginning on or after August 1, 2000 no subscripting is required.

Columns 5, 7, 9 and 9.01.--For each cost center, enter the costs obtained by multiplying the charges in columns 4, 6, 8, and 8.01 respectively, by the ratio in column 3.

Line 22.--Enter the totals for columns 1, 2, and 4 through 9.

Column 10, lines 3, 4, 5, 24, 25 and 26.--For each cost center, enter the title XVIII charges (from your records) for services rendered on and after January 1, 1998.

Column 11, lines 3, 4, 5, 24, 25 and 26.--Determine the title XVIII cost for services rendered on or after January 1, 1998 by multiplying the charges in column 10 by the ratio in column 3, and enter the result.

Column 12, lines 3, 4, 5, 24, 25 and 26.--Determine the reduction amount by multiplying the cost in column 11 by the ten percent cost reduction, and enter the result.

Column 13, lines 3, 4, 5, 24, 25 and 26.--Determine the title XVIII cost net of applicable cost reduction by subtracting the amount in column 12 from the amount in column 9. For lines 2, 6 through 21, 23, and 27 through 29, enter the cost from column 9.

3552.2 Part II - Apportionment of Cost of Outpatient Rehabilitation Services Furnished by Shared Skilled Nursing Facility Departments.--Use this part only when the SNF complex maintains a separate department for any of the cost centers listed on this worksheet, and the department provides services to patients of the skilled nursing facility's outpatient rehabilitation facility.

Column 3.--For each of the cost centers listed, enter the ratio of cost to charges that is shown on Worksheet C, column 3, from the appropriate line for each cost center.

Columns 4, 6, and 8.--For each cost center, enter the charges from your records for title V, title XVIII, and title XIX patients, respectively.

Columns 5, 7, and 9.--For each cost center, enter the costs obtained by multiplying the charges in columns 4, 6, and 8 respectively by the ratio in column 3.

Line 30.--Enter the totals for columns 4 through 7, 9 and 13.

3552.3 Part III - Total Rehabilitation Costs--Use This Section to Determine the Applicable Facilities Rehabilitation Costs.--

Line 31.--Enter the amounts from Part I, column 13, line 22 and the amount from Part II, column 13, line 30. Add the amount from Part I, line 22 and Part II, line 30 for columns 8 through 11.

3553. WORKSHEET J-3 - CALCULATION OF REIMBURSEMENT SETTLEMENT OF REHABILITATION SERVICES

3553.1 Part I - Calculation of Reimbursement Settlement for SNF-Based Providers Not Subject to the Computation of the Lesser of Reasonable Costs or Customary Charges.--

This worksheet is to be completed if you operate a SNF-based CMHC, a SNF-based OPT, SNF-based OSP, and/or SNF-based OOT.

Line 1.--Enter the cost of rehabilitation services from Worksheet J-2, Part II, line 31 from columns 5, 7, 9 for title XVIII services prior to 8/1/2000, and 9.01 for services on and after 8/1/2000, or 13, as applicable (column 5 for title V, column 7 for title XIX, and columns 9, 9.01 or 13 for title XVIII).

NOTE: Subscript column 2, lines 1 through 10, for cost reporting periods which overlap August 1, 2000. Enter in column 2 data applicable to the CMHC prior to August 1, 2000. Enter in column 2.01 data applicable to the CMHC on and after August 1, 2000.

Lines 1.01 through 1.06 are to be completed by CMHCs for title XVIII, for services on or after August 1, 2000.

Line 1.01. Enter the cost of the health services for services rendered on or after August 1, 2000, from Worksheet J-2, Part II, column 9.01 (column 9 for cost reporting periods beginning after August 1, 2000).

Line 1.02.--Enter the PPS payments received including outliers.

Line 1.03.--Enter the 1996 SNF specific payment to cost ratio provided by your intermediary. If you did not file a cost report in 1996, you are not eligible for transition corridor payments.

Line 1.04.--Multiply line 1.01 times line 1.03.

Line 1.05.--Divide line 1.02 by line 1.04.

Line 1.06.--Enter the transition corridor payment amount calculated based on the following:

For services rendered on and after August 1, 2000 through December 31, 2001:

- a. If line 1.05 is ≥ 90 percent but < 100 percent, enter 80 percent of (line 1.04 minus line 1.02).
- b. If line 1.05 is ≥ 80 percent but < 90 percent, enter .71 of (line 1.04) minus .70 (line 1.02).
- c. If line 1.05 is ≥ 70 percent but < 80 percent, enter .63 of (line 1.04) minus .60 (line 1.02).
- d. If line 1.05 is < 70 percent, enter 21 percent, of the result of line 1.04 minus line 1.02.

For services rendered on and after January 31, 2002 through December 31, 2002:

- a. If line 1.05 is ≥ 90 percent but < 100 percent, enter 70 percent of (line 1.04 minus line 1.02).
- b. If line 1.05 is ≥ 80 percent but < 90 percent, enter .61 of (line 1.04) minus .60 (line 1.02).
- c. If line 1.05 is < 80 percent, enter 13 percent of the difference of line 1.04 minus line 1.02.

For services rendered on and after January 31, 2003 through December 31, 2003:

- a. If line 1.05 is ≥ 90 percent but < 100 percent, enter 60 percent of (line 1.04 minus line 1.02).
- b. If line 1.05 is < 90 percent, enter 6 percent of the difference of line 1.04 minus line 1.02.

Line 2.--Enter the amounts paid and payable by workmen's compensation and other primary payers (from your records).

Line 3.--Enter in column 2, the amount obtained by subtracting line 2 from line 1. Enter in column 2.01 the amount obtained by subtracting line 2 from the sum of lines 1 through 1.06 for CMHC.

Line 6.--Enter in column 2, 80 percent of line 5 for title XVIII services prior to 8/1/2000. Make no entry in column 2.01 for services on and after 8/1/2000. Make no entry for title V or title XIX.

Line 7.--Enter the actual coinsurance billed to program patients (from your records).

Line 9.--Enter reimbursable bad debts, net of recoveries, applicable to any deductibles and coinsurance (from your records).

Line 10.--For services prior to 8/1/2000, enter in column 2 the lesser of line 6 or line 8; plus line 9. For services on and after 8/1/2000, enter in column 2.01 the sum of line 8 and 9. Combine the amount in column 2 and the amount in column 2.01, and bring one amount into the calculation for line 13 below.

Line 11.--Enter the program's share of any net depreciation adjustment applicable to prior years resulting from the gain or loss on the disposition of depreciable assets. (See HCFA Pub. 15-I, §§132ff.) Enter the amount of any excess depreciation taken in parentheses ().

NOTE: Section 1861 (v) (1) (O) sets a limit on the valuation of a depreciable asset that may be recognized in establishing an appropriate allowance for depreciation, and for interest on capital indebtedness after a change of ownership that occurs on or after December 1, 1997.

Line 12.--Enter the program's share of any recovery of excess depreciation applicable to prior years resulting from provider termination or a decrease in Medicare utilization. (See HCFA Pub. 15-I, §§136ff.)

Line 13.--Enter the amount on line 10, plus or minus the amount on line 11, minus the amount on line 12.

Line 14.--Using the methodology explained in §120, enter the sequestration adjustment on this line.

NOTE: Public Law 99-177, the Balanced Budget and Emergency Deficit Control Act of 1985 (Gramm-Rudman), provides for an automatic deficit reduction procedure to be established for Federal fiscal years (FYs) 1986 through 1991, unless the deficit would reach zero.

For title XVIII, reduce each payment amount by a specified percentage which could not exceed 1 percent for FY 1986 and 2 percent for each subsequent year in which sequestration (reduction of otherwise payable program payment amount pursuant to a Presidential Order under PL. 99-177) takes place. Section 120 outlines the methodology by which the sequestration adjustment is computed.

Line 15.--Enter the amount on line 13 minus the amount on line 14.

Line 16.--Enter the total interim payments applicable to this cost reporting period. For title XVIII, transfer this amount from Worksheet J-4, column 2, line 4.

Line 17.--Enter the balance due provider/program and transfer this amount to Worksheet S, Part II, columns as appropriate, line 5.

Line 18.--Enter the program reimbursement effect of protested items. Estimate the reimbursement effect of the nonallowable items by applying reasonable methodology which closely approximates the actual effect of the item as if it had been determined through the normal cost finding process. (See §115.2.) Attach a worksheet showing the details and computations for this line.

3553.2 Part II - Computation of Customary Charges for Rehab Services.--Pursuant to §4541 of BBA 1997, §1834(k) of the Social Security Act is amended to require that title XVIII services rendered in Calendar Year 1998 for CORF be subject to the lesser of charges imposed for those services or the adjusted reasonable costs.

If you have more than one SNF-based facility, a separate worksheet must be completed for each facility.

Line 1--Enter the total cost of outpatient rehabilitation services from Worksheet J-2, Part II, column T3, line 31.

Line 1.1--Enter the total reasonable cost of rehabilitation services prior to 1/1/98, from Worksheet J-2, Part II, column 9, line 31 minus the amount from column 11, line 31.

Line 1.2--Enter the total reasonable cost of rehabilitation services rendered on or after 1/1/98 by multiplying the amount from Worksheet J-2, Part II, column 11, line 31 by 90 percent.

NOTE: Line 1 must equal the sum of lines 1.1 and 1.2

Line 2--Enter (from your records) the amounts paid and payable by workmen's compensation and other primary payers.

Line 3--Enter the amount obtained by subtracting line 2 from line 1

Line 4--Enter the total charges from Worksheet J-2, Part III, column 8, line 31.

Lines 5, 6, 7, and 8--These lines provide for the reduction of Medicare charges where the provider does not actually impose such charges (in the case of most patients liable for payment for services on a charge basis) or fails to make reasonable efforts to collect such charges from those patients. Enter on line 8 the product of multiplying the ratio on line 7 by line 4. In no instance may the customary charges on line 8 exceed the actual charges on line 4.

Line 8.1--Enter the customary charges for rehabilitation services rendered prior to 1/1/98 from Worksheet J-2, Part II, column 8, line 31, minus the amount from column 10, line 31.

Line 8.2--Enter the customary charges for rehabilitation services rendered on or after 1/1/98 by multiplying the amount from Worksheet J-2, Part II, column 10 by 90 percent.

Line 8.3--Enter on line 8.3 the excess of total customary charges (8.2) over the total reasonable cost (line 1.2). When the total charges on line 8.2 are less than the total cost on line 1.2, enter zero (0) on line 8.3.

Line 8.4--Enter on line 8.4 the excess of total reasonable cost (line 1.2) over total customary charges (line 8.2). When the total cost on line 1.2 is less than the customary charges on line 8.2, enter zero (0) on line 8.4.

3553.3 Part III - Computation of Reimbursement Settlement of Outpatient Rehabilitation Services--

Line 9--Enter the cost of rehabilitation services from Part II, line 3.

Line 10--Enter the Part B deductibles billed to program patients (from your records) excluding any coinsurance amounts.

Line 11--Enter the amount obtained by subtracting line 10 from line 9.

Line 11.1--Enter the amount from Part II, line 8.4.

Line 12--Enter 80 percent of line 11.2.

Line 13--Enter the actual coinsurance billed to program patients (from your records).

Line 14--Enter the amount obtained by subtracting line 13 from line 11.2.

Line 15--Enter (from your records) reimbursable bad debts, net of recoveries, applicable to any deductibles and coinsurance.

Line 16--Enter the lesser of the amounts on line 12 or 14 plus the amount on line 15.

Line 17--Enter the program's share of any net depreciation adjustment applicable to prior years resulting from the gain or loss on the disposition of depreciable assets. (See HCFA Pub. 15-1, §§132ff.) Enter the amount of any excess depreciation taken in parentheses. ().

NOTE: Effective for changes in ownership that occur on or after December 1, 1997, §4404 of BBA 1997 amends §1861(v)(1)(O) of the Act which states, in part, that ..."a provider of services which has undergone a change of ownership, such regulations provide that the valuation of the asset after such change of ownership shall be the historical cost of the asset, as recognized under this title, less depreciation allowed, to the owner of record...". That is, no gain or loss is recognized for such transactions on or after December 1, 1997.

Line 18--Enter the program's share of any recovery of excess depreciation applicable to prior years resulting from your termination or a decrease in Medicare utilization. (See HCFA Pub. 15-1, §§136ff.)

Line 19--Enter any other adjustment. For example, if you change the recording of vacation pay from the cash basis to the accrual basis, enter the adjustment. (See HCFA Pub. 15-1, §2146.4.) Specify the adjustment in the space provided.

Line 20--Enter the amount from line 16 minus the amounts from lines 17 and 18, plus or minus the amount on line 19.

Line 21--Enter any applicable sequestration adjustment. (See §120.)

Line 23--Enter the total interim payments, if applicable. Transfer this amount from Worksheet J-4, column 2, line 4.

Line 24--Enter the balance due the provider/program and transfer this amount to Worksheet S, Part II, column 3, line 5.

Line 25--Enter the program reimbursement effect of nonallowable cost report items which you are disputing. Compute the reimbursement effect in accordance with §115.2. Attach a schedule showing the supporting details and computation.

Line 26--Do not use this line for cost reporting periods beginning on or after October 1, 1997.

3554. WORKSHEET J-4- ANALYSIS OF PAYMENTS TO PROVIDER-BASED COMPONENT FOR SERVICES RENDERED TO PROGRAM BENEFICIARIES

Complete this worksheet for Medicare interim payments only. Complete a separate worksheet for each outpatient rehabilitation provider.

Complete the identifying information on lines 1 through 4. The remainder of the worksheet is completed by your intermediary.

NOTE: DO NOT reduce any interim payments by recoveries as result of medical review adjustments where the recoveries were based on a sample percentage applied to the universe of claims reviewed and the PS&R was not also adjusted

Line Descriptions

Line 1.--Enter the total program interim payments paid to the component. The amount entered reflects the sum of all interim payments paid on individual bills (net of adjustment bills) for services rendered in this cost reporting period. The amount entered include amounts withheld from the component's interim payments due to an offset against overpayments to the component applicable to prior cost reporting periods. It does not include any retroactive lump sum adjustment amounts based on a subsequent revision of the interim rate or tentative or net settlement amounts. Nor does it include interim payments payable.

Line 2.--Enter the total program interim payments payable on individual bills. Since the cost in the cost report is on an accrual basis, this line represents the amount of services rendered in the cost reporting period, but not paid as of the end of the cost reporting period, and does not include payments reported on line 1.

Line 3.--Enter the amount of each retroactive lump sum adjustment and the applicable date.

Line 4.--Transfer the total interim payments to the title XVIII Worksheet J-3, Part III, line 25.

DO NOT COMPLETE THE REMAINDER OF WORKSHEET J-4. LINES 5 THROUGH 7 ARE FOR INTERMEDIARY USE ONLY.

Line 5.--List separately each tentative settlement payment after desk review together with the date of payment. If the cost report is reopened after the Notice of Program Reimbursement (NPR) has been issued, report all settlement payments prior to the current reopening settlement.

Line 6.--Enter the net settlement amount (balance due to the provider or balance due to the program) for the NPR, or, if this settlement is after a reopening of the NPR, for this reopening.

NOTE: On lines 3, 5, and 6, where an amount is due provider to program, show the amount and date on which the provider agrees to the amount of repayment, even though total repayment is not accomplished until a later date.

Line 7.--Enter the sum of the amounts on lines 4, 5.99, and 6 in column 2. The amount in column 2 must equal the amount on Worksheet J-3, line 17.

**ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
TABLE 1 - RECORD SPECIFICATIONS**

Table 1 specifies the standard record format to be used for electronic cost reporting. Each electronic cost report submission (file) has four types of records. The first group (type 1 records) contains information for identifying, processing, and resolving problems. The text used throughout the cost report for variable line labels (e.g., Worksheet A) and variable column headers (Worksheet B-1) is included in the type 2 records. Refer to Table 5 for cost center coding. The data detailed in Table 3 are identified as type three records. The encryption coding at the end of the file, records 1, 1.01, and 1.02, are type 4 records.

The medium for transferring cost reports submitted electronically to fiscal intermediaries is 3½" diskette. These disks must be in IBM format. The character set must be ASCII. Seek approval from your fiscal intermediary regarding alternate methods of submission to ensure that the method of transmission is acceptable.

The following are requirements for all records:

1. All alpha characters must be in upper case.
2. For micro systems, the end of record indicator must be a carriage return and line feed, in that sequence.
3. No record may exceed 60 characters.

Below is an example of a Type 1 record with a narrative description of its meaning.

1	2	3	4	5
1234567890123456789012345678901234567890123456789012345678				
1	1	010123199827419992733C99P00520000201999334		

Record #1: This is a cost report file submitted by Provider 010123 for the period from October 1, 1999 (1999274) through September 30, 2000 (2000273). It is filed on Form HCFA-2540-96. It is prepared with vendor number C99's PC based system, version number 1. Position 38 changes with each new test case and/or approval and is alpha. Positions 39 and 40 will remain constant for approvals issued after the first test case. This file is prepared by the skilled nursing facility on January 20, 2000 (2000020). The electronic cost report specification, dated November 30, 1999 (1999334), is used to prepare this file.

FILE NAMING CONVENTION

Name each cost report file in the following manner:

SNNNNNNN.YYL, where

1. SN (SNF electronic cost report) is constant;
2. NNNNNN is the 6 digit Medicare skilled nursing facility provider number;
3. YY is the year in which the provider's cost reporting period ends; and
4. L is a character variable (A-Z) to enable separate identification of files from skilled nursing facilities with two or more cost reporting periods ending in the same calendar year.

ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
TABLE 1 - RECORD SPECIFICATIONS

RECORD NAME: Type 1 Records - Record Number 1

		<u>Size</u>	<u>Usage</u>	<u>Loc.</u>	<u>Remarks</u>
1.	Record Type	1	X	1	Constant "1"
2.	NPI	10	9	2-11	Numeric only
3.	Spaces	1	X	12	
4.	Record Number	1	X	13	Constant "1"
5.	Spaces	3	X	14-16	
6.	SNF Provider Number	6	9	17-22	Field must have 6 numeric characters
7.	Fiscal Year Beginning Date	7	9	23-29	YYYYDDD - Julian date; first day covered by this cost report
8.	Fiscal Year Ending Date	7	9	30-36	YYYYDDD - Julian date; last day covered by this cost report
9.	MCR Version	1	9	37	Constant "3" (for Form HCFA 2540-96)
10.	Vendor Code	3	X	38-40	To be supplied upon approval. Refer to page 35-503.
11.	Vendor Equipment	1	X	41	P = PC; M = Main Frame
12.	Version Number	3	X	42-44	Version of extract software, e.g., 001=1st, 002=2nd, etc. or 101=1st, 102=2nd. The version number must be incremented by 1 with each recompile and release to client(s).
13.	Creation Date	7	9	45-51	YYYYDDD - Julian date; date on which the file was created (extracted from the cost report)
14.	ECR Spec. Date	7	9	52-58	YYYYDDD - Julian date; date of electronic cost report specifications used in producing each file. Valid for cost reporting periods ending on or after 2000274 (09/30/2000) . Prior approvals are 1999334, 1998273, 1997273, and 1996274.

ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
 TABLE 3 - LIST OF DATA ELEMENTS WITH WORKSHEET, LINE, AND COLUMN DESIGNATIONS

<u>DESCRIPTION</u>	<u>LINE(S)</u>	<u>COLUMN(S)</u>	<u>FIELD SIZE</u>	<u>USAGE</u>
Worksheet S-7, Part III				
Transition Period	0	1-4	1	X
Facility Specific Rate	1-45	2	6	9(8).99
Federal Case Mix Rate	1-45	3	6	9(8).99
Federal Case Mix Rate	1-6, 8,9, 12 - 14, 27 - 45	5	6	9(8).99
Federal Rate – High Cost Add On	7,10,11, 15-26	3.01& 5.01	6	9(8).99
Days (Prior to 10/01/XXXX)	1-45	4	6	9
Add On Days (Services on and after 04/01/2000, but prior to 10/01/2000)	7,10,11, 15-26	4.01	6	9
Days (After 09/30/XXXX)	1-45	6	6	9
Add On Days (Services on and after 10/01/2000)	7,10,11, 15-26	6.01	6	9
Federal Case Mix	1-45	7	9	9
Facility Specific	1-45	8	9	9
Blend Amounts	1-45	9 & 10	9	9

WORKSHEET A

Direct salaries by department	3-16,18-19,21- 51,54-56,58-63	1	9	-9
Total direct salaries	75	1	9	9
Other direct costs by department	1-16,18-19,21- 51,52-56,58-63	2	9	-9
Total other direct costs	75	2	9	9
Net expenses for cost allocation by department	1-16,18-19,21- 51,55-56,58-63	7	9	-9
Total net expenses for cost allocation	75	7	9	9

WORKSHEET A-6

For each expense reclassification:

Explanation	1-35	0	36	X
Reclassification code	1-35	1	2	X

ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
TABLE 3 - LIST OF DATA ELEMENTS WITH WORKSHEET, LINE, AND COLUMN
DESIGNATIONS

WORKSHEET I-3

Medicare covered visits for mental health services (from your intermediary)	12	1 & 2	11	9
Beneficiary deductible (from your intermediary)	17	2	11	9
Reimbursable bad debt	22	2	11	9
Interim payments	25	2	11	9
Protested amounts	27	2	11	9

WORKSHEET I-5

Total interim payments paid to provider	1	2	11	9
Interim payments payable	2	2	11	9
Date of each retroactive lump sum adjustment (MM/DD/YYYY)	3.01-3.98	1	10	X
Adjustment of each retroactive lump sum adjustment:				
Program to provider	3.01-3.49	2	11	9
Provider to program	3.50-3.98	2	11	9

ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
TABLE 3 - LIST OF DATA ELEMENTS WITH WORKSHEET, LINE, AND COLUMN DESIGNATIONS

<u>DESCRIPTION</u>	<u>LINE(S)</u>	<u>COLUMN(S)</u>	<u>FIELD SIZE</u>	<u>USAGE</u>
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WORKSHEET J-1, PART I

Net expenses for cost allocation	1-21	0	9	9
Post stepdown adjustments (including total)	1-22	17	9	-9
Totals (sum of lines 1-21)	22	0-3, 4-15, 17	9	9

WORKSHEET J-1, PART III

Reconciliation	1-21	1A-15A	9	-9
Cost allocation statistics	1-21	1-15 *	9	9

* See note to Worksheet B-1 for treatment of administrative and general accumulated cost column.

WORKSHEET J-2

<u>Part I: Facility charges</u>				
In total	2-21	2	9	9
Title V	2-21	4	9	9
Title XVIII	2-21	8 & 8.01	9	9
Title XIX	2-21	6	9	9
<u>Part II: Charges for rehabilitation services furnished by shared departments</u>				
Title V	23-29	4	9	9
Title XVIII	23-29	8	9	9
Title XIX	23-29	6	9	9

ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
 TABLE 3 - LIST OF DATA ELEMENTS WITH WORKSHEET, LINE, AND COLUMN DESIGNATIONS

<u>DESCRIPTION</u>	<u>LINE(S)</u>	<u>COLUMN(S)</u>	<u>FIELD SIZE</u>	<u>USAGE</u>
WORKSHEET J-3				
Cost of component service	1	1-3	9	9
Cost of health service	1.01	1-3	9	9
PPS payment received	1.02	1-3	9	9
1996 SNF specific payment to cost ratio	1.03	1-3	4	9.99
Line 1.01 times line 1.03	1.04	1-3	9	9
Line 1.02 divided by line 1.04	1.05	1-3	4	9.99
Transitional corridor payment	1.06	1-3	9	9
Primary payment amounts	2	1-3	9	9
Part B deductible billed to program patients	4	2	9	9
Coinsurance billed	7	1-3	9	9
Reimbursable bad debts	9	1-3	9	9
Amounts applicable to prior periods resulting from depreciable asset disposal	11	1-3	9	9
Recovery of excess depreciation	12	1-3	9	9
Sequestration adjustment	14	1-3	9	9
Interim payments for titles V and XIX (where applicable)	16	1, 3	9	9
Protested amounts	18	1-3	9	-9
WORKSHEET J-4				
Total interim payments paid to provider	1	2	9	9
Interim payments payable	2	2	9	9
Date of each retroactive lump sum adjustment (MM/DD/YYYY)	3.01-3.98	1	10	X
Amount of each lump sum adjustment				
Program to provider	3.01-3.49	2	9	9
Provider to program	3.50-3.98	2	9	9

ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
TABLE 3A - WORKSHEETS REQUIRING NO INPUT

Worksheet S, Part I
Worksheet A-8-3, Parts II, III, and IV
Worksheet A-8-4, Parts II and III
Worksheet J-1, Part II
Worksheet H-4, Part I

TABLE 3B - TABLES TO WORKSHEET S-2

Table I: Type of Control

1	=	Voluntary Nonprofit, Church
2	=	Voluntary Nonprofit, Other
3	=	Proprietary, Individual
4	=	Proprietary, Corporation
5	=	Proprietary, Partnership
6	=	Proprietary, Other
7	=	Governmental, Federal
8	=	Governmental, City-County
9	=	Governmental, County
10	=	Governmental, State
11	=	Governmental, Hospital District
12	=	Governmental, City
13	=	Governmental, Other

Table II: All-inclusive provider methods (See HCFA Pub. 15-I, §2208.2.)

Method A	=	Departmental statistical data
Method D	=	Comparable SNF data
Method E	=	Percentage of average cost per diem

TABLE 3C - LINES THAT CANNOT BE SUBSCRIBED
(BEYOND THOSE PREPRINTED)

<u>Worksheet</u>	<u>Lines</u>
S, Part II	1, 3, 7
S-2	1-4, 6, 7, 13-35, 41-46
S-3, Part I	1, 3, 4
S-3, Parts II & III	All
S-4, Part I	1-8
S-4, Part II	1-12
S-5	1-8, 14, 16
S-6	1-17

ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
 TABLE 3C - LINES THAT CANNOT BE SUBSCRIBED
 (BEYOND THOSE PREPRINTED) (CONTINUED)

<u>Worksheet</u>	<u>Lines</u>
S-7, Parts I, II, and III	All
A	16, 19, 48, 49, 52-54, 75 (lines 17 and 20 may not be used)
A-6	All
A-7	All
A-8	8, 12, 22, through 25 and 32
A-8-1, Part A	All
A-8-1, Part B	1-8
A-8-1, Part C	1-9
A-8-2	All
A-8-3	All (except lines 5, 6, 12, 13, 28-38, 51, 59, 62, and 64)
A-8-4	All
A-8-5	All
B, Parts I & II	16, 19, 48, 49, 52-54, 65, and 75 (lines 17 and 20 may not be used)
B-1	16, 19, 48, 49, and 52-54 (lines 17 and 20 may not be used)
C	75
D, Part I	75
D-1	All
D-2	2, 4-5, and 17 (lines 3, 7, 11, 18, and 19 may not be used)
E, Part I	All (except line 30)
E, Part II	All (except line 22)
E, Part III	All (except line 32)

ELECTRONIC REPORTING SPECIFICATIONS FOR FORM HCFA 2540-96
TABLE 3C - LINES THAT CANNOT BE SUBSCRIBED
(BEYOND THOSE PREPRINTED) (CONTINUED)

<u>Worksheet</u>	<u>Lines</u>
E, Part V	All
E-1	1, 2, 3.01-3.04, and 3.50-3.53
G	All
G-1	1
G-2, Part I	1, 3, and 4 (line 2 may not be used)
G-2, Part II	15
G-3	2, 7-24, and 32
H	All
H-1	All
H-2	All
H-3	All
H-5	All
H-6	1 through 19, 21 through 23
H-7	1, 2, 3.01-3.04, and 3.50-3.53
I-1	All
I-2	All
I-3	All
J-1	All
J-2	All
J-3	2 through 18
J-4	1, 2, 3.01-3.04, and 3.50-3.53