

9553.0030 COST CLASSIFICATION AND ALLOCATION PROCEDURES.

Subpart 1. **Cost classification.** Costs must be classified as provided in this subpart. Total costs for each category must be compiled and recorded on the cost report.

A. The provider shall classify costs using direct identification of costs, without allocation, by routine classification of transactions when costs are recorded in the books and records of the facility. The classification of costs must be made according to the cost categories defined in part 9553.0040.

B. In addition to costs which must be included in the administrative cost category, indirect costs such as generic supplies that cannot be readily assignable to one or more cost categories must be classified to the administrative cost category.

C. Except for persons in top management, the compensation of any person having multiple duties, including persons who have only nominal top management responsibilities, must be directly identified and classified to the appropriate cost categories on the basis of time distribution records that show actual time spent, or an accurate estimate of time spent on various activities. Except as provided in item D, the compensation of persons who have top management responsibilities may be classified to a cost category other than administrative operating costs to the extent justified in time distribution records showing the actual time spent, or an accurate estimate of time spent on various activities. Any facility or provider group choosing to estimate the time spent in different cost categories must use a statistically valid method.

D. The compensation of a person who is classified as top management personnel and who performs any service for the central, affiliated, or corporate office must be allocated to the facility's administrative cost category in accordance with subpart 4, item C if the facility or provider group served by the central, affiliated, or corporate office has more than 48 licensed beds.

Subp. 2. **Allocation of personal expenses for owners whose primary residence is in the facility.** Allocation procedures in this subpart must be applied to personal expenses of owners whose primary residence is in the facility to the extent that these costs were included in the facility's costs.

A. Dietary services cost allocation must be based on the number of meals served.

B. Housekeeping, plant operations, and maintenance cost allocation must be based on the ratio of square feet of floor space devoted to personal use divided by the total square feet of floor space of the facility.

C. Depreciation, interest, real estate and personal property taxes, and property and liability insurance costs must be allocated based on the ratio of square feet of floor space devoted to personal use divided by the total square feet of floor space of the facility.

D. Laundry and linen costs, and administrative costs for items such as telephones and vehicles, must be allocated based on a reasonable estimate of actual use.

Subp. 3. **Cost allocations for other services.** Costs associated with services other than ICF/DD services such as apartments, semi-independent living services, and any other revenue generating operations, except respite care, must be allocated using the principles in subpart 1 and the procedures in subpart 2.

Subp. 4. **Central, affiliated, or corporate office costs.** Cost allocation for central, affiliated, or corporate offices shall be governed by items A to F.

A. Central, affiliated, or corporate office salary expense representing services of consultants required by law or regulation in areas including dietary, pharmacy, program, or other resident care related activities may be allocated to the appropriate cost category, but only to the extent that those salary expenses are directly identified by the facility.

B. Central, affiliated, or corporate office costs representing services of consultants not required by law in the areas of program, quality assurance, medical records, dietary, other care related services, and plant operations may be allocated to the appropriate operating cost category of a facility according to subitems (1) to (5).

(1) Only the salary, fringe benefits, and payroll taxes associated with the individual performing the service may be allocated. No other costs must be allocated.

(2) The allocation must be based on direct identification and to the extent justified in time distribution records which show the actual time spent by the consultant performing services in the facility.

(3) The cost in subitem (1) for each consultant must be allocated to only one operating cost category in the facility. If more than one facility is served by a consultant, all facilities shall allocate the consultant's cost to the same operating cost category.

(4) Top management personnel shall not be considered consultants for purposes of this item.

(5) The consultant's entire job responsibility is to provide the services identified in this item.

C. Except as provided in items A and B, central, affiliated, or corporate office costs must be allocated to the administrative cost category of each facility within the group served by the central, affiliated, or corporate office according to subitems (1) to (5).

(1) All costs that can be directly identified with a specific facility must be classified to that facility.

(2) All costs that can be directly identified with a specific operation unrelated to the facility's operation must be allocated to that unrelated operation.

(3) After the costs that can be directly identified according to subitems (1) and (2) have been allocated, the remaining central, affiliated, or corporate office costs must be allocated between facility operations and unrelated operations based on the ratio of expenses.

(4) Next, operations which have facilities both in Minnesota and outside of Minnesota must allocate the central, affiliated, or corporate office costs to Minnesota based on the ratio of total resident days in Minnesota facilities to the total resident days in all facilities.

(5) Finally, the facility related central, affiliated, or corporate office costs must be allocated to each facility based on resident days.

D. Central, affiliated, or corporate office property-related costs of capital assets used directly by a facility in the provision of ICF/DD services must be classified to the property-related cost category of the facility which uses the capital asset. Central, affiliated, or corporate office property-related costs of capital assets that are not used directly by a facility in the provision of ICF/DD services must be allocated to the administrative cost category of each facility using the methods described in item C.

E. The useful life of a capital asset maintained by a central, affiliated, or corporate office must be determined as in part 9553.0060, subpart 1, item B.

F. A governmental or nonprofit organization that has a federally approved cost allocation plan may allocate management fees or central office costs to a related organization based on the governmental or nonprofit organization's federal cost allocation plan. The provider must document that the allocation plan has been approved by the federal government.

Subp. 5. **Allocation of costs to related or nonrelated organizations.** A facility's costs associated with services or goods provided by the facility to a related or nonrelated organization must be allocated on the basis of items A to C.

A. Costs of services must be allocated based on the documentation of time spent performing the service by each individual providing services to the related organization or nonrelated organization. All identifiable expenses including salary, fringe benefits, and payroll taxes, travel, and supplies of an individual providing services for related organizations or nonrelated organizations must be allocated based on the ratio of actual time spent performing the services for each related or nonrelated organization.

B. The cost of goods sold to or used by a related organization or nonrelated organization must be directly allocated to the organization. The cost of goods sold to or used by more than one organization must be allocated proportionally to each related organization or nonrelated organization based on a reasonable estimate of actual use.

C. The cost of goods or services allocated to a related organization or nonrelated organization must not be an allowable cost for the facility.

Subp. 6. **Payroll tax and fringe benefit cost allocation.** A facility's payroll taxes and fringe benefits reported in the payroll taxes and fringe benefit cost category must be classified to the program operating cost category, the maintenance operating cost category, and the administrative operating cost category based on direct identification or an allocation using the ratio of allowable salary costs in each of those cost categories to total allowable salary costs.

Statutory Authority: *MS s 256B.501*

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