

STATE PLAN UNDER TITLE XIX OF THE SOCIAL SECURITY ACT

State of VIRGINIA

METHODS AND STANDARDS FOR ESTABLISHING PAYMENT RATES FOR LONG-TERM CARE

APPENDIX I

UNIFORM EXPENSE CLASSIFICATION

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§1.1 Foreword. (12VAC30-90-270.)

This appendix describes the classification of expenses applicable to the Nursing Facility Payment System.

Allowable expenses shall meet all of the following requirements: necessity, reasonableness, non-duplication, related to patient care, not exceeding the limits and/or ceilings established in the Payment System and meet applicable Medicare principles of reimbursement. All of the references to 12 VAC 30-90-270 occurring in previous Part II shall be understood to include 12 VAC 30-90-270 through 12 VAC 30-90-276.

§2.1. Direct patient care operating. (12 VAC 30-90-271)

A. Nursing Service Expenses.

1. Salary-Nursing Administration	Gross salary (includes sick pay, holiday pay, vacation pay, staff development pay and overtime pay) of all licensed nurses in supervisory positions defined as follows (Director of Nursing, Assistant Director of Nursing, nursing unit supervisors, patient care coordinators, and MDS Coordinators).
2. Salaries-RN	Gross salary of registered nurses.
3. Salaries-LPN	Gross salary of licensed practical nurses.
4. Salaries-Nurse Aides	Gross salary of certified nurse aides.
5. Salaries-Quality assurance nurses	Gross salary of licensed nurses who function as quality assurance coordinators and are responsible for quality assurance activities and program. Quality assurance activities and programs are concerned with resident care and activities and not with the administrative support that is needed to document the care. If a quality assurance coordinator is employed by the home office and spends a percentage of time at nursing facilities, report directly allocated costs to the nursing facility in this category rather than under the home office operating costs.
6. Nursing Employee Benefits	Benefits related to registered nurses, licensed practical nurses, certified nurse aides, quality assurance nurses, and nursing administration personnel as defined in A1 above. See § 3.1 B for description of employee benefits.

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7. Contract Nursing Services	Cost of registered nurses, licensed practical nurses, certified nurse aides and quality assurance nurses on a contract basis.
8. Supplies	Cost of supplies, including nursing and charting forms, medication and treatment records, physician order forms.
9. Professional Fees	Medical director and pharmacy consultant fees.

B. Minor Medical and Surgical Supplies.

1. Salaries-Medical Supply	Gross salary of personnel responsible for procurement, inventory and distribution of minor medical and surgical supplies.
2. Medical Supply Employee Benefits	Benefits related to Medical supply personnel. See § 3.1 B for description of employee benefits.
3. Supplies	Cost of items for which a separate identifiable charge is not customarily made, including, but not limited to, colostomy bags; dressings; chux, rubbing alcohol; syringes; patient gowns; basins; bed pans; ice-bags and canes, crutches, walkers, wheel chairs, traction equipment and other durable medical equipment for multi-patient use.
4. Oxygen	Cost of oxygen for which a separate charge is not customarily made.
5. Nutrient/Tube Feedings	Cost of nutrients for tube feedings.
6. Incontinence Supplies	Cost of disposable and non-disposable incontinence supplies. The laundry supplies or purchased commercial laundry service for non-disposable incontinent services.

C. Ancillary Service Cost.

Allowable ancillary service costs represents gross salary and related employee benefits of those employees engaged in covered ancillary services to Medicaid recipients, cost of all supplies used by the respective ancillary service departments, cost of ancillary services performed on a contract basis by other than employees and all other costs allocated to the ancillary service cost centers in accordance with Medicare principles of reimbursement. Following is a listing all covered ancillary services:

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1. Radiology
 2. Laboratory
 3. Respiratory Therapy
 4. Physical Therapy
 5. Occupational Therapy
 6. Speech Therapy
 7. EKG
 8. EEG
 9. Medical Supplies Charged to Patient
 10. Kinetic Therapy Devices

§3.1. Indirect patient care operating costs (12VAC 30-90-272).

A. Administrative and General

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| 1. | Administrator/Owner
Assistant
Administrator | Compensation of individuals responsible for administering the operations of the nursing facility. (See §2.11 and Appendix III for limitations). |
| 2. | Other Administrative
and Fiscal Services | Gross salaries of all personnel in administrative, personnel, fiscal, billing and admitting, communications and purchasing departments. |
| 3. | Management Fees | Cost of fees for providing necessary management services related to nursing facility operations. (Appendix III for limitations). |
| 4. | Professional Fees-
Accounting | Fees paid to independent outside auditors and accountants. |
| 5. | Professional Fees-
Legal | Fees paid to attorneys (See Appendix III for limitations). |
| 6. | Professional Fees-
Other | Fees, other than accounting or legal, for professional services related to nursing facility patient care. |
| 7. | Director's Fees | Fees paid for attendance at scheduled meetings which serve as reimbursement for time, travel, and services provided. (See Appendix III for limitations). |

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| 8. Membership fees. | Fees related to membership in health care organizations which promote objectives in the providers' field of health care activities. (See Appendix III (12VAC30-90-290) for limitations.) |
| 9. Advertising
(Classified) | Cost of advertising to recruit new employees and yellow pages advertising. |
| 10. Public Relations. | Cost of promotional expenses including brochures and other informational documents regarding the nursing facility. |
| 11. Telephone. | Cost of telephone service used by employees of the nursing facility. |
| 12. Subscriptions. | Cost of subscribing to newspapers, magazines, and periodicals. |
| 13. Office Supplies | Cost of supplies used in administrative departments (e.g., pencils, papers, erasers, staples). |
| 14. Minor furniture and equipment. | Cost of furniture and equipment which does not qualify as a capital asset. |
| 15. Printing and postage. | Cost of reproducing documents which are reasonable, necessary and related to nursing facility patient care and cost of postage and freight charges. |
| 16. Travel. | Cost of travel (airfare, auto mileage, lodging, meals, etc. by administrator or other authorized personnel on official nursing facility business). (See 12VAC30-90-290 for limitations.) |
| 17. Auto. | All costs of maintaining nursing facility vehicles, including gas, oil, tires, licenses, maintenance of such vehicles. |

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18. License fees.	Fees for licenses, including state, county, and local business licenses, and VHSCRC filing fees.
19. Liability insurance.	Cost of insuring the facility against liability claims, including malpractice.
20. Interest.	Other than mortgage and equipment.
21. Amortization/start-up costs.	Amortization of allowable Start-Up Costs (See 12VAC30-90-220).
22. Amortization/organizational costs.	Amortization of allowable organization costs (See 12VAC30-90-220).
B. Employee benefits.	
1. FICA (Social Security).	Cost of employer's portion of Social Security Tax.
2. State unemployment.	State unemployment insurance costs.
3. Federal unemployment.	Federal unemployment insurance costs.
4. Workers' compensation.	Cost of workers' compensation insurance.
5. Health insurance.	Cost of employer's contribution to employee health insurance.
6. Group life insurance.	Cost of employer's contribution to employee group life insurance.
7. Pension plan.	Employer's cost of providing pension program for employees.
8. Other employee benefits.	Cost of awards and recognition ceremonies for recognition and incentive programs, disability insurance, child care, and other commonly offered employee benefits which are nondiscriminatory.

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C. Dietary expenses.

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| 1. Salaries. | Gross salary of kitchen personnel, including dietary supervisor, cooks, helpers and dishwashers. |
| 2. Supplies. | Cost of items such as soap, detergent, napkins, paper cups, and straws. |
| 3. Dishes and utensils. | Cost of knives, forks, spoons, plates, cups, saucers, bowls and glasses. |
| 4. Consultants. | Fees paid to consulting dietitians. |
| 5. Purchased services. | Costs of dietary services performed on a contract basis. |
| 6. Food. | Cost of raw food. |
| 7. Nutrient oral feedings. | Cost of nutrients in oral feedings. |

D. Housekeeping expenses.

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| 1. Salaries. | Gross salary of housekeeping personnel, including housekeepers, maids and janitors. |
| 2. Supplies. | Cost of cleaners, soap, detergents, brooms, and lavatory supplies. |
| 3. Purchased services. | Cost of housekeeping services performed on a contract basis. |

E. Laundry expenses.

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| 1. Salaries. | Gross salary of laundry personnel. |
| 2. Linen. | Cost of sheets, blankets, and pillows. |
| 3. Supplies. | Cost of such items as soap, detergent, starch and bleach. |

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4. Purchased services. Cost of other services, including commercial laundry service.

F. Maintenance and operation of plant.

1. Salaries. Gross salary of personnel involved in operating and maintaining the physical plant, including maintenance men or plant engineer and security services.

2. Supplies. Cost of supplies used in maintaining the physical plant, including light bulbs, nails, lumber, glass.

3. Painting. Supplies and contract services.

4. Gardening. Supplies and contract services.

5. Heating. Cost of heating oil, natural gas, or coal.

6. Electricity. Self-explanatory.

7. Water, sewer, and trash removal. Self-explanatory.

8. Purchased services. Cost of maintaining the physical plant, fixed equipment, movable equipment and furniture and fixtures on a contract basis.

9. Repairs and maintenance. Supplies and contract services involved with repairing the facility's capital assets.

G. Medical records expenses.

1. Salaries—medical Records Gross salary of licensed medical records personnel and other department personnel.

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| | 2. | Utilization Review | Fees paid to physicians attending utilization review committee meetings. |
| | 3. | Supplies | All supplies used in the department. |
| | 4. | Purchased Services | Medical records services provided on a contract basis. |
| H. | | Social Service Expenses | |
| | 1. | Salaries | Salary of personnel providing medically-related social services. A facility with more than 120 beds must employ a full-time qualified social worker. |
| | 2. | Purchased Services | Cost of medically-related social services provided on a contract basis. |
| | 3. | Supplies | Cost of all supplies used in the department. |
| I. | | Patient Activity Expenses | |
| | 1. | Salaries | Gross salary of personnel providing recreational programs to patients, such as arts and crafts, church services and other social activities. |
| | 2. | Supplies | Cost of items used in the activities program (i.e., games, art and craft supplies and puzzles). |
| | 3. | Purchased Service | Cost of services provided on a contract basis. |

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J. Educational Activities Expenses

(Other than NATCEPs codes, See §6.1 12VAC30-90-270).

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| 1. Salaries. | Gross salaries of training personnel. |
| 2. Supplies. | Cost of all supplies used in this activity. |
| 3. Purchased services. | Cost of training programs provided on a contract basis. |

K. Other Nursing Administrative Costs.

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| 1. Salaries-Other
Nursing
Administration | Gross salaries of ward clerks and nursing administration support staff |
| 2. Subscriptions | Cost of subscribing to newspapers, magazines and periodicals. |
| 3. Office Supplies | Cost of supplies used in nursing administrative departments (e.g., pencils, papers, eraser, staples). |
| 4. Purchased services. | Cost of nursing administrative consultants, ward clerks, nursing administration support staff performed on a contract basis |
| 5. Advertising | Cost of advertising to recruit all nursing service personnel (Classified) |

L. Home Office Costs

Allowable operating costs incurred by a home office which are directly assigned to the nursing facility or pooled operating costs that are allocated to the nursing facility in accordance with 12VAC30-90-240.

§4.1 12VAC30-90-273. Plant costs.

A. Interest.

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| 1. Building interest. | Interest paid or accrued on notes, mortgages and other loans, the proceeds of which were used to purchase the nursing facility's real property. (See 12VAC30-90-30 for Limitations.) |
| 2. Equipment interest. | Interest paid or accrued on notes, chattel mortgages and other loans, the proceeds of which were used to purchase the nursing facility's equipment. (See sec. 2.4 (12VAC30-90-30) for Limitations.) |

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B. Depreciation (12VAC30-90-50).

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| 1. Building depreciation. | Depreciation on the nursing facility's building. |
| 2. Building improvement depreciation. | Depreciation on major additions or improvements to the nursing facility (i.e., new laundry or dining room). |
| 3. Land improvement depreciation. | Depreciation of improvements made to the land occupied by the facility (i.e., paving, landscaping). |

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4. Fixed and movable equipment depreciation. Depreciation on capital assets classified as fixed and movable equipment in compliance with American Hospital Association Guidelines.

5. Leasehold improvement depreciation. Depreciation on major additions or improvements to building or plant where the facility is leased and the costs are incurred by the lessee (tenant).

6. Automobile depreciation. Depreciation of those vehicles utilized solely for facility/patient services.

C. Lease/rental.

1. Building rental. Rental amounts paid by the provider on all rented or leased real property (land and building).

2. Equipment rental. Rental amounts paid by the provider on leased or rented furniture and equipment.

D. Taxes.

1. Property taxes. Amount of taxes paid on the facility's property, plant and equipment.

E. Insurance.

1. Property insurance. Cost of fire and casualty insurance on buildings and equipment.

2. Mortgage insurance. Premiums required by the lending institution, if the lending institution is made a direct beneficiary and if premiums meet Medicare principles of reimbursement criteria for allowability.

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F. Amortization--deferred financing costs. Amortization of deferred financing costs (those costs directly incident to obtaining financing of allowable capital costs related to patient care services such as legal fees; guarantee fees; service fees; feasibility studies; loan points; printing and engraving costs; rating agency fees). These deferred financing costs should be capitalized and amortized over the life of the mortgage.

G. Home office capital costs. Allowable plant costs incurred by a home office which are directly identified to the nursing facility or pooled capital costs that are allocated to the nursing facility in accordance with 12VAC30-90-240.

12VAC30-90-274. Non-allowable expenses.

Non-allowable expenses include but are not limited to the following:

A. Barber and beautician. Direct and indirect operating and capital costs related to the provision of beauty and barber services to patients.

B. Personal items. Cost of personal items, such as cigarettes, toothpaste, and shaving cream sold to patients.

C. Vending machines. Cost of items sold to employees and patients including candy bars and soft drinks.

D. Television/telephones. Cost of television sets and telephones used in patient rooms.

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- E. Gift shop. Direct and indirect operating and capital cost related to the provision of operating a gift shop.
- F. Insurance--officers. Cost of life insurance on officers, owners and key employees where the provider is a direct or indirect beneficiary.
- G. Income taxes. Taxes on net income levied or expected to be levied by any governmental entity.
- H. Contributions. Amounts donated to charitable or other organizations which have no direct effect on patient care.
- I. Deductions from revenue. Accounts receivable written off as bad debts, charity, courtesy, or from contractual agreements are non-allowable expenses.
- J. Advertising. The cost of advertisements in magazines, newspapers, trade publications, radio, and television and certain home office expenses as defined in PRM-15.
- K. Cafeteria. Cost of meals to other than patients.
- L. Pharmacy. Cost of all prescribed legend and nonlegend drugs.
- M. Medical supplies. Cost of medical supplies to other than patients.
- N. Plant costs. All plant costs not available for nursing facility patient care-related activities are non-reimbursable plant costs.

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12VAC30-90-275. Nurse Aide Training and Competency Evaluation Programs (NATCEPs) costs.

A. Facility-based NATCEPs costs.

1. Salary--staff development. Gross salary of personnel conducting the nurse aide training and competency evaluation programs.
2. Employee benefits. Benefits related to personnel conducting the nurse aide training and competency evaluation programs. See 12VAC30-90-272 B for description of employee benefits.
3. Contract services. Cost of state qualified nurse aide instructors paid on a contract basis.
4. Supplies. Cost of supplies used in conducting NATCEPs (e.g., pencils, papers, erasers, staples, textbooks and other required course materials).
5. License fees. Cost of nurse aide registry application fees and competency evaluation testing fees paid by the nursing facilities on behalf of the certified nurse aides.
6. Housekeeping expenses. Housekeeping expense as defined in 12VAC30-90-272 D, for nursing facilities which dedicate space in the facility to NATCEPs activities 100%. Housekeeping expenses shall be allocated to the NATCEPs operations in accordance with Medicare Principles of Reimbursement.

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7. Maintenance and operation of plant. Maintenance and operation of plant as defined in 12VAC30-90-272 F, for nursing facilities which dedicate space in the facility to NATCEPs activities 100%.

Maintenance and operation of plant expense shall be allocated to the NATCEPs operations in accordance with Medicare Principles of Reimbursement.

8. Other direct expenses. Any other direct costs associated with the operation of the NATCEPs. There shall be no allocation of indirect patient care operating costs as defined in 12VAC30-90-272, except housekeeping and maintenance and operation of plant expenses.

B. Non-facility-based NATCEPs costs.

1. Contract services. Cost of training and competency evaluation of nurse aides paid to an outside state approved nurse aide education program.

2. Supplies. Cost of supplies of textbooks and other required course materials provided during the nurse aide education programs by the nursing facility.

3. License fees. Cost of nurse aide registry application fees and competency evaluation testing fee paid by the nursing facility on behalf of the certified nurse aides.

4. Travel. Cost for transportation provided to the nurse aides to the training or competency evaluation testing site.

§7.1 12VAC30-90-276. Criminal records background checks.

Included in the Uniform Expense Classifications is the cost of obtaining criminal records checks from the Central Criminal Records Exchange for all persons hired for compensated employment after July 1, 1993.

