

**DEPARTMENT OF HUMAN SERVICES
SENIORS AND PEOPLE WITH DISABILITIES DIVISION
OREGON ADMINISTRATIVE RULES**

**CHAPTER 411
DIVISION 70**

NURSING FACILITIES/MEDICAID - REIMBURSEMENT

411-070-0300 Filing of Financial Statement
(Effective 2/1/2006)

(1) The provider must file annually with the Seniors and People with Disabilities, Financial Audit Unit, the Nursing Facility Financial Statement covering actual costs based on the facility's fiscal reporting period for the period ending June 30. A Nursing Facility Financial Statement will be filed for other than a year only when necessitated by termination of a provider agreement with the Department, or by a change in ownership, or when directed by the Department. Financial reports of less than three months will not be used as the basis for biennial rate setting. Financial reports containing up to 15 months of financial data will be accepted for the reasons above or with permission of the Department prior to filing.

(2) (a) The Nursing Facility Financial Statement is due within three months of the end of the fiscal reporting period, change of ownership, or withdrawal from the program. The report must be postmarked on or before the due date to be considered timely.

(b) A one month extension may be obtained if a written request for an extension is postmarked prior to the expiration of the original three months. The Department will respond in writing to these requests.

(c) When a Nursing Facility Financial Statement is not postmarked within three months, or within four months if an extension under subsection (2)(b) of this rule was obtained, a penalty will be assessed and collected. The amount of the penalty will be \$5 per licensed nursing facility bed per day for each State of Oregon business day the Nursing Facility Financial Statement is late. The total penalty must not exceed \$50,000 per fiscal reporting period. For purposes of

this subsection, the number of licensed nursing facility beds will be the number licensed on the last day of the fiscal reporting period that the facility failed to submit its report.

(d) The Department may assess interim penalties and deduct the amount of the interim penalties from the next Medicaid payment payable to the facility. Each interim penalty must be the amount of the penalty that has accrued under subsection (2)(c) of this rule to the date of assessment, and has not already been assessed as an interim penalty.

(e) A facility may request an informal conference or contested case hearing pursuant to ORS 183.413 through 183.470 within 30 days of receiving a letter from the Department informing it of assessment of an interim penalty or a penalty under this rule. OAR 411-070-0435 applies to such requests and sets forth the procedures to be followed. If no request for an informal conference or contested case hearing is made within 30 days of receiving such a letter, the interim penalty or penalty becomes final in all respects, including liability for payment of and the amount of the interim penalty or penalty.

(3) Improperly completed or incomplete Nursing Facility Financial Statements will be returned to the facility for proper completion.

(4) (a) Form SPD 35 is a uniform cost report to be used by all nursing facility providers, except those that are hospital based.

(b) Form SPD 35A is a uniform cost report to be used by all nursing facility providers that are hospital based.

(c) Forms SPD 35 and SPD 35A must be completed in accordance with the Medicaid Nursing Facility Services Provider Guide and Audit Manual.

(5) If a provider knowingly or with reason to know files a report containing false information, such action constitutes cause for termination of its agreement with the Department. Providers filing false reports may be referred for prosecution under applicable statutes.

(6) Each required Nursing Facility Financial Statement must be signed by a company or corporate officer or a person designated by the corporate officers to sign. If the Nursing Facility Financial Statement is prepared by someone other than an employee of the provider, the individual preparing the Nursing Facility Financial Statement will also sign and indicate his or her status with the provider.

(7) Facilities with fewer than 1000 Medicaid resident days during a twelve-month reporting period or fewer than 2.74 Medicaid resident days per calendar day, for facilities with reporting periods of less than a year, are not required to submit a SPD 35 or SPD 35A, but must submit a letter to the Seniors and People with Disabilities Department's Financial Audit Unit indicating they will not be submitting a financial statement. This letter is due the same day the financial statement would have been due.

(8) A Nursing Facility Financial Statement will be filed annually by each facility for the fiscal reporting period that ends June 30. The Nursing Facility Financial Statement filed for the period that ends June 30 is required to cover actual costs during the previous state fiscal year from July 1 through June 30.

[ED. NOTE: Forms referenced are available from the agency.]

[Publications: Publications referenced are available from the agency.]

Stat. Auth.: ORS 414.070

Stats. Implemented: ORS 410.070

411-070-0302 Filing of Revised Financial Statements

(Effective 2/1/2006)

(1) Revised Nursing Facility Financial Statements may only be filed with prior written authorization from the Department.

(2) An amended report must be postmarked within six months of the end of the fiscal reporting period.

Stat. Auth.: ORS 414.070

Stats. Implemented: ORS 410.070

411-070-0305 Accounting and Record Keeping

(Effective 2/1/2006)

- (1) Nursing Facility Financial Statements are to be prepared in conformance with generally accepted accounting principles and the provisions of these rules. The Department has the option to prescribe and interpret these rules in conformance with generally accepted accounting principles.
- (2) Financial Statements must be filed using the accrual method of accounting except governmental facilities using the cash method of accounting may file reports using the cash method.
- (3) The provider must maintain, for a period of not less than three years following the date of submission of the Nursing Facility Financial Statement, financial and statistical records that are accurate and in sufficient detail to substantiate the cost data reported. If there are unresolved audit questions at the end of this three-year period, the records must be maintained until the questions are resolved. The records must be maintained in a condition that can be audited for compliance with generally accepted accounting principles and provisions of these rules.
- (4) Expenses reported as allowable costs must be adequately documented in the financial records of the provider or they will be disallowed.
- (5) The Department will maintain each required Nursing Facility Financial Statement submitted by a provider for three years following the date of submission of the report. In the event there are unresolved audit questions at the end of this three year period, the statements will be maintained until such questions are resolved.
- (6) The records of the provider must be available for review by authorized personnel of the Department and of the U.S. Department of Health and Human Services during normal business hours at a location in the State of Oregon specified by the provider.
- (7) Accrued expenses that are forgiven by a creditor will be considered as income to the facility and offset against expenses in the subsequent period.

Accruals that are settled at less than full value will have the forgiven amount considered as income and offset against expenses.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0310 Auditing

(Effective 2/1/2006)

(1) All Nursing Facility Financial Statements are subject to desk review and analysis within six months after proper completion and filing.

(2) The desk review will determine, to the extent possible:

(a) That the provider has properly included its costs on the Nursing Facility Financial Statement in accordance with generally accepted accounting principles and the provisions of these rules; and

(b) That the provider has properly applied the cost finding method specified by the Department to its allowable costs determined in subsection (2)(a) of this rule; and

(c) Whether further auditing of the provider's financial and statistical records is needed.

(3) All filed Nursing Facility Financial Statements are subject to a field audit, normally to be completed within one year from the date of filing.

(4) The field audit will, at a minimum, be sufficiently comprehensive to verify that in all material respects:

(a) Generally accepted accounting principles and the provisions of these rules have been adhered to; and

(b) Reported data are in agreement with supporting records; and

(c) The Nursing Facility Financial Statement is reconcilable to the appropriate IRS report and payroll tax reports.

Stat. Auth.: ORS 410.070
Stats. Implemented: ORS 410.070

411-070-0315 Maximum Allowable Compensation of Administrator and Assistant Administrator
(Effective 2/1/2006)

(1) The maximum compensation of a full-time (40 hours per week) licensed administrator to a nursing facility may be allowable at the lower of compensation actually received or the maximum allowable administrator compensation amount determined annually using the calculation in section (4) of this rule.

(2) The maximum compensation of not more than one full-time (40 hours per week) assistant administrator to a nursing facility with at least 80 licensed beds may be allowable at the lower of compensation actually received or seventy-five percent of the allowable administrator compensation for the number of licensed beds in the nursing facility. The Department will not allow the cost of an assistant administrator in a facility with less than 80 beds.

(3) If either of the above individuals works less than 40 hours in the average week, allowable compensation must be the lower of actual compensation received or the maximum allowable administrator compensation determined annually based on the calculation in section (4) of this rule, multiplied by the percentage of 40 hours worked in the average week. The provider must maintain adequate records to demonstrate time actually spent.

(4) The maximum allowable administrator compensation may be adjusted each year and will be effective as of January 1 each year. The rates must be established using the gross allowable compensation in Account 411 (Administrator Compensation) of the Nursing Facility Financial Statement for non-owner administrators. The applicable compensation amounts will be inflated by the U.S. CPI from the mid point of each facility's fiscal year to July 1. The 75th percentile of each bed-size category, 1-49, 50-79, 80-99, 100 and over, will be the ceiling for each grouping.

(5) When a single individual serves as the administrator of both a nursing facility and a hospital, the salary will be pro-rated to both functions. The nursing facility portion will then be compared to the pro-rated share of the allowable administrator compensation to determine the amount to be included as allowable.

Stat. Auth.: ORS 414.070

Stats. Implemented: ORS 410.070

411-070-0320 Consultants

(Effective 7/1/1997)

(1) Costs for direct care and dietitian consultant services to the staff of the facility will be allowed.

(2) No other consultant costs will be allowed.

(3) Payment for treatment and evaluation provided directly to an individual resident by medical providers will not be paid by Seniors and People with Disabilities Division.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0330 Owner Compensation

(Effective 2/1/2006)

(1) Reasonable compensation for services performed by owners (whether sole proprietors, partners, or stockholders) is an allowable cost, provided the services are actually performed, documented, and are necessary, and the provisions of this rule are met.

(2) The allowance of compensation for services of sole proprietors and partners is the amount determined by the Department to be the reasonable value of the services rendered as long as compensation was paid in conformance with this rule.

(3) Compensation for services performed by owners may be included in allowable provider cost only to the extent that it represents reasonable remuneration for managerial, administrative, professional, and other services related to the operation of the facility and rendered in connection with resident care. Services rendered in connection with resident care include both direct and indirect activities in the provision and supervision of resident care, such as administration, management, and overall supervision of the institution. Services which are not related to either direct or indirect resident care; e.g., those primarily for the purpose of managing or improving the owner's financial investment are not recognized as an allowable cost. Costs related to the owner's management and overall supervision of the facility will be reported in Account 436.

(4) Payments to an owner that represent a return on equity capital are not allowable costs for reimbursement purposes. Such payments are not considered as compensation for purposes of determining the reasonable level of reimbursement of the owner.

(5) The compensation allowance will be an amount as would ordinarily be paid for comparable services in other nursing facilities, as defined by section (6) of this rule. This determination will be made by the Department depending upon the facts and circumstances of each case.

(6) For purposes of determining whether the compensation paid to or claimed by an owner is reasonable, the total of all benefits and remuneration such as travel allowance or key-man insurance, regardless of the form, will be considered. The Department has established the 75th percentile ranking of average compensation paid, in all facilities by job category, as being reasonable.

(7) Accrued compensation of an owner, if not paid within 75 days after the end of the Nursing Facility Financial Statement reporting period, may not be included as an allowable expense.

(8) An owner must not be compensated for services in excess of 40 hours in one week. This rule applies even if an owner may provide services in more than one area.

(9) The requirement that the function be necessary means that had the owner not rendered the services, the institution would have had to employ

another person to perform them. The services must be pertinent to the operation and sound conduct of the institution.

(10) Compensation paid to an employee who is an immediate relative of the owner of the facility is also reviewable under the test of reasonableness. For this purpose, the following persons are considered "immediate relatives": Husband and wife; natural parent, child and sibling; adopted child and adoptive parent; stepparent, stepchild, stepbrother and stepsister; father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, and sister-in-law; and grandparent and grandchild, uncle, aunt, nephew, niece, and cousin.

(11) Where an owner provides services for more than one facility or is engaged in other occupations or business activities, allowable compensation may be adjusted to reflect an appropriate allocation of time spent in each area based on the combined total of resident days.

(12) Where an owner functions as an administrator or assistant administrator, the rules governing compensation of these positions apply, in addition to the requirements of this rule.

Stat. Auth.: ORS 414.065 & 410
Stats. Implemented: ORS 410.070

411-070-0335 Related Party Transactions *(Effective 2/1/2006)*

(1) Costs applicable to services and supplies furnished to a provider by organizations related to the provider by common ownership or control are allowable at the lower of cost excluding profits and markups to the related party or charge to the facility. Such costs are allowable to the extent that they relate to resident care, are reasonable, ordinary, and necessary, and are not in excess of those costs incurred by a prudent cost-conscious buyer. Documentation of costs to related parties (including those identified in OAR 411-070-0330(10)) must be made available at time of audit. If documentation is not available, such payments to or for the benefit of the related organization will be non-allowable costs.

(2) An exception is provided to the general rule in section (1) of this rule applicable to related organizations. The exception applies if the provider demonstrates by convincing evidence to the satisfaction of the Department:

(a) That the supplying organization is a separate legal entity; and

(b) That a substantial part of the supplying organization's business activity, of the type carried on with the provider, is transacted with other organizations not related to the provider and the supplier by common ownership or control and there is an open, competitive market. Prices paid by the provider may not be in excess of what would be paid by a prudent cost conscious buyer.

(3) If the provider takes the position that an exception as stated in section (2) of this rule applies, then the provider must:

(a) Make available the books and records of the related organization to SPD auditors; and

(b) Maintain a receiving report signed by personnel of the nursing facility for services or supplies furnished by the related organization.

(4) Rental expense paid to related organizations for facilities may be allowable to the extent the rental does not exceed the related organization's costs of owning (e.g., depreciation, interest on a mortgage) or leasing the assets, computed in accordance with the provisions of these rules. The exception listed in section (2) of this rule does not apply to rental expense paid for facilities.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0340 Chain Operations

(Effective 2/1/2006)

(1) A chain organization consists of a group of two or more health care facilities that are owned, leased, or through any other device controlled by one business entity. This includes not only proprietary chains but also chains operated by various religious and other charitable organizations.

(2) Although the home office of a chain is normally not a provider in itself, it may furnish to the individual provider central administration or other service such as centralized accounting, purchasing, personnel, or management services. Only the home office's actual cost of providing such services is includable in the provider's allowable costs under the program.

(3) Home office costs that are not otherwise allowable costs when incurred directly by the provider are not allowable as home office costs to be allocated to providers. Where the home office is a mere holding company and provides no services related to resident care, no costs of the home office are allowable to the providers in the chain or single facility.

(4) Where an owner receives compensation from the home office for services to the facility, the compensation is allowable only to the extent that it is related to resident care and to the extent that it is reasonable as defined under owner's compensation.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0345 Allocation of Home Office and Regional Office Costs *(Effective 2/1/2006)*

(1) The initial step in the allocation of home office and regional office costs is direct allocation of all allowable costs directly attributable to a particular nursing facility (such as construction interest, salary where the administrator of a nursing facility in the chain is paid directly by the home office, etc.) or non-nursing facility activity.

(2) Other allowable costs must appropriately be allocated among the providers (and to any non-provider activities in which the home office or regional office may be engaged) on the basis of beds, resident days, or other bases, whichever most equitably allocates such costs. Revenues are not generally appropriate for distributing these costs. Where possible, allocation of costs are to be based on function and, consequently, the bases of allocation may appropriately be different, say for accounting costs and for personnel costs. Where the home office or regional office incurs costs for activities not related to resident care in the chain's participating

providers, the allocation basis must provide for all allocation of costs such as rent, administrative salaries, other general overhead costs, organization costs, etc., that are attributable to non-resident care as well as resident care activities.

Stat. Auth.: ORS 410.070
Stats. Implemented: ORS 410.070

411-070-0350 Management Fees (Effective 2/1/2006)

Management fees are an allowable expense if they are necessary, reasonable, non-duplicative of facility personnel and functions, and documented by a binding contract with a non-related party defining the items, services, and activities provided. If the administrator or assistant administrator are supplied as part of the contract, the rules governing their compensation in these rules apply. Documentation demonstrating that the services were actually performed is required. Management fees paid to a related organization are subject to the rules governing related parties (OAR 411-070-0335), chain operations (OAR 411-070-0340), and allocation of home office costs (OAR 411-070-0345). The allowable salary paid to the administrator and assistant administrator are included in the total facility management fee calculation. Total management fees for allowable management and supervisory services may not exceed the limits established for the administrator and the assistant administrator in OAR 411-070-0315 plus \$5,000 allowable for other management fees per year.

[Publications: Publications referenced are available from the agency.]

Stat. Auth.: ORS 410.070
Stats. Implemented: ORS 410.070

411-070-0359 Allowable Costs (Effective 3/1/2008)

(1) ALLOWABLE COSTS. Allowable costs are the necessary costs incurred for the customary and normal operation of a facility, to the extent that they are reasonable and related to resident services.

(a) Accounting, Auditing and Data Processing -- The costs of recording, summarizing, and reporting the results of operations are allowable.

(b) Advertising -- Help wanted advertising and the expense related to the alphabetical listing in the yellow pages of a phone directory are allowable.

(c) Allowable Workers Compensation Dividends (Refunds) or Billings of the nursing facility are those dated in the fiscal reporting period.

(d) Auto and Travel Expense -- Expense of maintenance and operation of a vehicle and travel expense related to resident services are reimbursable. The allowance for mileage reimbursement must not exceed the amount determined reasonable by the Internal Revenue Service for the period reported. Allowable out-of-state travel is restricted to Washington, Idaho and Northern California, no farther south than San Francisco. One out of state/contiguous area trip per year for two employees will be allowed, as long as it relates to resident services.

(e) Bad Debts -- Bad debts related to Title XIX recipients are allowable.

(f) Bank and Finance Charges -- Charges for routine maintenance of accounts are allowable.

(g) Communications -- Charges for routine telephone service, including pagers, and cable television fees, are allowable.

(h) Compensation of Owners -- Owner's compensation in accordance with OAR 411-070-0330 is allowable.

(i) Consultant Fees -- Consultant fees are allowable provided they meet the criteria as outlined in OAR 411-070-0320.

(j) Criminal History Checks -- Costs of criminal history checks of facility employees if mandated by federal or state law are allowable.

(k) Depreciation and Amortization -- Depreciation schedules on buildings and equipment must be maintained. Depreciation expense is not allowable for land. Lease-hold improvements may be amortized. Depreciation and amortization must be calculated on a straight-line basis and prorated over the estimated useful life of the asset. Effective July 1, 2003, these costs must be reported in accordance with OAR 411-070-0365, OAR 411-070-0375 and OAR 411-070-0385.

(l) Education and Training -- Registration, tuition and book expense associated with education and training of personnel is allowed provided it is related to resident services. The costs associated with training and certifying nurse aides are not allowable for inclusion in the annual Nursing Facility Financial Statement. These costs are reimbursed separately by the Department, per OAR 411-070-0470.

(m) Employee Benefits -- Employee benefits that are made available to all employees, are for the primary use of the employees, are generally considered by the industry as reasonable and important benefits to provide for employees, are not taxable as wages, and are allowable to the extent of employer participation.

(n) Food -- Food products and supplements used in food preparation are allowable.

(o) Home Office Costs -- Home office costs are allowable in accordance with OAR 411-070-0345.

(p) Insurance -- Premiums for insurance on assets or for liability purposes, including vehicles, are allowable to the extent that they are related to resident services. Self-insurance costs are allowable only when expense is actually incurred.

(q) Interest -- Interest on debt related to the provision of resident services is an allowable expense, except on or after July 1, 1984, interest expense related to that portion of the acquisition price of a long-term facility that exceeds the depreciable basis (OAR 411-070-0375) will not be reimbursable.

(r) Legal Fees -- Legal fees directly related to resident services are allowable. Legal fees related to non-allowable costs are not allowable. Legal fees claimed as related to resident services must be explained and listed on Schedule A. Fees related to legal and administrative actions to resolve a disagreement with the state will be allowable if the action is resolved in the provider's favor, and the judge/hearings officer does not order the state to pay the provider's legal fees.

(s) Licenses, Dues and Subscriptions -- Fees for facility licenses, dues in professional associations, and costs of subscriptions for newspapers, magazines, and periodicals provided for resident and staff professional use are allowable.

(t) Linen and Bedding -- Linen and bedding costs for the facility are allowable.

(u) Management Fees -- Management fees are allowable provided they meet the criteria for OAR 411-070-0350.

(v) Postage and Freight -- Postage expense is considered an office supply cost. Freight will be posted to the same account as the item purchased.

(w) Property Costs -- Costs related to purchase or lease of a facility are to be reported in Accounts 452 through 459 and 461.

(x) Purchased Services -- Services that are received under contract arrangements are reimbursable to the extent that they are related to resident services and the sound conduct and operation of the facility.

(y) Rent or Lease Payments -- Payments for the lease or rental of land, buildings, and equipment are to be reported. Payments for lease agreements entered into with a related party are limited to the lower of actual costs or the lease payments.

(z) Repairs and Maintenance -- Costs of maintenance and minor repairs are allowable when related to the provision of resident services.

(aa) Salaries (Except Owners and Related Parties) -- Salaries and wages of all employees engaged in resident service activities or overall operation and maintenance of the facility, including support activities of home offices and regional offices, are allowable.

(bb) Supplies -- Cost of supplies used in resident services or providing services related to resident services are allowable.

(cc) Taxes -- Property taxes on assets used in rendering resident services are allowable. Long Term Facility taxes paid on patient days are allowable, effective July 1, 2003.

(dd) Utilities -- Costs for facility heating, lighting, water-sewer, and garbage provisions are allowable.

(ee) Utilization Review -- Costs incurred for utilization review are Medicare related and are not allowable for Medicaid reimbursement.

(2) EXCEPTIONS. Exceptions to the items listed in section (1) of this rule must be approved in writing to be allowable. Exceptions will not be granted for the following items:

(a) Amortization of non-competitive agreement;

(b) Goodwill;

(c) Federal and other governmental income taxes;

(d) Penalties and fines;

(e) Costs of services and items otherwise reimbursable through the Division of Medical Assistance Programs, other third party payors (see section (3) of this rule), or the resident's personal funds;

(f) The cost related to the functioning of Corporate Boards of Directors;

(g) Advertising for purposes of soliciting potential residents, except for listings in the yellow pages (see section (1)(b) of this rule);

- (h) The cost of salaries and supplies devoted to religious activities; or
- (i) Gifts and contributions.

(3) **THIRD PARTY PAYORS.** The purpose of this section is to assure that facilities are not paid twice, once through the Medicaid bundled rate and again through a third party payor, for providing a service. This section includes both allowed and non-allowed costs.

(a) Facilities must bill third party payors for nursing facility services whenever payment from a third party payor is or may be available. Examples of such payors are Medicare, Veterans Administration, insurance companies or a private resident when the items are not included in the basic rate.

(b) Failure to bill or collect from third party payors whenever appropriate will not cause these expenses to be considered allowable.

(c) The cost of services incurred for therapy services performed by non-employee therapists are reimbursable through a third party payor or the Division of Medical Assistance Programs and are non-allowable on the Nursing Facility Financial Statement.

(d) The cost of supplies and equipment medically necessary in the performance of therapy services that are reimbursable through a third party payor or the Division of Medical Assistance Programs, are non-allowable on the Nursing Facility Financial Statement.

Stat. Auth.: ORS 410.070 & 414.065

Stats. Implemented: ORS 410.070 & 414.065

411-070-0365 Capital Assets

(Effective 2/1/2006)

(1) The following costs must be capitalized and depreciated: Expenses for depreciable assets with historical cost in excess of \$1,000 per unit, or in aggregate, and a useful life greater than one year from the date of purchase.

(2) Repair costs in excess of \$1,000 on equipment or buildings must be capitalized.

(3) The provider must maintain schedules of capital assets and depreciation, on a straight line basis, to document amounts on the Nursing Facility Financial Statement.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0370 Depreciable Assets

(Effective 2/1/2006)

(1) Tangible assets of the following types in which a provider has an economic interest through ownership are subject to depreciation:

(a) Buildings -- The basic structure or shell and additions thereto;

(b) Building Fixed Equipment -- Attachments to buildings, such as wiring, electrical fixtures, plumbing, elevators, heating system, and air conditioning system. The general characteristics of this equipment are:

(A) Affixed to the building and not subject to transfer;

(B) A fairly long life but shorter than the life of the building to which affixed.

(c) Movable Equipment -- Such items as beds, wheelchairs, desks, vehicles, and other depreciable items. The general characteristics of these equipment are:

(A) Capable of being moved;

(B) Subject to control and meeting the definition of a capital asset.

(d) Land Improvements -- Such items as paving, tunnels, underpasses, on-site sewer and water lines, parking lots, shrubbery, fences, walls, etc. where replacement is the responsibility of the provider;

(e) Leasehold Improvements -- Betterments and additions made by the lessee to the leased property that become the property of the lessor after the expiration of the lease.

(2) Land is not Depreciable. The cost of land includes the cost of such items as off-site sewer and water lines, public utility charges necessary to service the land, governmental assessments for street paving and sewers, the cost of permanent roadways and grading of a non-depreciable nature, and the cost of curbs and side walks, replacement of which is not the responsibility of the provider.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0375 Depreciation Basis

(Effective 2/1/2006)

(1) Purchase of a Nursing Home:

(a) New Facility -- The depreciation basis of a new facility must be the historical cost of building the facility, including preparation for use, or the purchase price from an unrelated organization not to exceed the fair market value, including preparation for use, less salvage value;

(b) Ongoing Facility -- The depreciation basis of the purchase of an ongoing facility from an unrelated organization is limited to the lower of the following:

(A) The allowable acquisition cost of such asset to the first owner of record on or after July 18, 1984; or

(B) The acquisition cost of such asset to the new owner.

(c) To properly provide for costs or valuations of fixed assets, an appraisal by an appraisal expert will be required if the provider has no historical cost records, or has incomplete records of depreciable fixed assets, or purchases a facility without designation of purchase price for the classification of assets acquired. The appraisal is subject to the approval of the Department. In any case, the Department may require such an appraisal to establish the fair market value of the provider assets;

(d) If the purchase is from a related organization, the cost basis is the lower of the cost basis of the related organization or the cost basis as determined in subsections (b) and (c) of this section, less depreciation as determined by the provisions of these rules.

(2) The depreciation basis of other assets must be the historical cost to the provider from an unrelated organization plus set-up costs, less salvage value. In the case of a trade-in, the historical cost will consist of the sum of the book value of the trade-in plus the cash paid. In a case where the asset is purchased from a related organization, the depreciation basis must not exceed the asset's book value to the related organization as determined under the provisions of this guide.

(3) The depreciation basis of donated assets, defined as an asset acquired without making any payment for it in the form of cash, property, or services, must be the lesser of:

(a) Fair market value at the date of donation adequately documented in the provider's records or by appraisal by an appraisal expert, less salvage value; or

(b) If from a related organization, the depreciation basis must be the lesser of:

(A) Fair market value; or

(B) The depreciation basis the related party had or would have had for the asset under the program.

Stat. Auth.: ORS 410.070
Stats. Implemented: ORS 410.070

411-070-0385 Depreciation Lives
(Effective 2/1/2006)

- (1) The provider must use the "Estimated Useful Lives of Depreciable Hospital Assets" Revised 2004 guidelines for asset lives when computing depreciation.
- (2) For assets not covered by the guidelines and with costs of more than \$1,000 per unit, or in aggregate, the lives established by the provider are subject to approval by the Department.
- (3) Depreciation and amortization schedules must be maintained.
- (4) Depreciation expense is not allowed on land.
- (5) Depreciation and amortization must be calculated on a straight line basis and prorated over the estimated useful life of the asset.

[Publications: Publications referenced are available from the agency.]

Stat. Auth.: ORS 410.070
Stats. Implemented: ORS 410.070

411-070-0400 Equity
(Effective 2/1/2006)

Equity is not an allowable expense for reimbursement but must be reported. Equity capital is the net worth of the provider (owner's equity in the net assets as determined under these rules), adjusted for those assets and liabilities that are not related to the provision of resident care:

- (1) Generally accepted accounting principles are to be used unless otherwise specified in these rules for computing owner's equity.

- (2) Assets and liabilities not related to providing resident care are not includable in the provider's equity capital.
- (3) Loans from owners or related entities are considered as invested equity capital of the provider.
- (4) Owner's equity in assets leased from related entities is includable in the equity capital of a proprietary provider.
- (5) Goodwill is not includable as part of owner's equity.
- (6) Invested funds that are diverted to income producing activities that are not resident related for more than six months will not be included as part of owner's equity.
- (7) Amounts deposited in a funded depreciation account and the earnings on deposits are not included in equity capital. Interest earned on these funds is not offset against interest expense.
- (8) Land, buildings, and other assets acquired in anticipation of expansion are not includable in equity capital. Construction-in-process and liabilities related to such construction are not includable in equity capital.
- (9) Prepaid premiums on life insurance carried by a provider on officers and key employees, where the provider is designated as the beneficiary, are not included when computing equity capital.
- (10) The costs of noncompetitive agreements are not includable in equity capital.
- (11) The amount deposited and the earnings on self-insurance reserve funds are not includable in equity capital.
- (12) When an asset is totally or partially destroyed by a casualty, the unrecovered loss is not included in equity capital.
- (13) Working capital, defined as the difference between current assets and current liabilities, must be adjusted by any amount considered to be excessive for the necessary and proper operation of resident care activities. The excessive amount will not be included in equity capital.

(14) The cash surrender value of insurance is not includable in equity capital.

(15) Imputed salaries for proprietors will be offset in computing the equity capital.

(16) Any portion of an acquisition cost, incurred on or after July 18, 1984, that exceeds the depreciable basis is not includable in the owner's equity calculation.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0415 Offset Income

(Effective 2/1/2006)

(1) Income is offset against expenses unless specifically excluded in section (2) of this rule. If an adjustment is for a revenue producing activity representing a non-allowable cost, the revenue must be offset against the appropriate expense if the revenue is less than 2% of the total provider expense (sum of cost areas). Where the revenue is greater than 2% of the total provider expense (sum of cost areas), costs must be allocated to this area as described in OAR 411-070-0430, Allocation Methods.

(2) Income items that must not be offset are:

(a) Ancillary income and charges for routine services or supplies that are included in the all inclusive rate but charged to other residents (except as required in OAR 411-070-0359(3));

(b) Grants, unless designated for paying a specific operating cost; and

(c) Donations, unless designated for paying a specific operating cost.

(3) (a) Revenue received for pediatric residents will be offset against expenses. These revenues will not be subject to the 2% limitation established in section (1) of this rule.

(b) The revenue will be offset against cost centers in the same ratio as reported by the facility in accordance with OAR 411-070-0452.

(4) Mental Health revenues received from local governments to provide extra care to Medicaid residents must be reported in SPD Account 819, directly offset against the related expense and explained on Schedule A.

Stat. Auth.: ORS 414.070

Stats. Implemented: ORS 410.070

411-070-0417 Treatment of Medical Add-Ons

(Effective 7/1/1997)

(1) The medical add-on reflects the additional costs of providing skilled nursing services for certain residents due to their needs.

(2) The medical add-on is added to the basic rate.

(3) When calculating per resident day care compensation cost, the treatment of the medical add-on is as follows:

(a) The allowable care compensation costs for both the basic rate and the medical add-on are divided by total basic rate resident days.

(b) Revenue from the medical add-on received for eligible clients is divided by the number of Medicaid basic rate resident days.

(c) The per resident day amounts computed in section (3)(a) of this rule are reduced by the per Medicaid resident day amounts computed in Section (3)(b) of this rule. The result is defined as care compensation per resident day and will be used in determining the prospective base rate.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0420 Base Year Cost Finding

(Effective 2/1/2006)

(1) The provider must report its gross costs and must make reclassifications and adjustments to costs as provided in these rules. This process will determine net allowable costs on the Nursing Facility Financial Statement that includes a uniform chart of accounts provided by the Department. The gross costs and revenues must agree with the statement of earnings and expenses or profit and loss statement of the provider. Revenues are to be reported in the same manner as costs on the Nursing Facility Financial Statement. The provider must also use the balance sheet provided to report its gross assets, gross liabilities, and gross equity, make reclassifications and adjustments as provided by these rules.

(2) The per diem costs of care must be used to determine each provider's allowable per diem costs and must be effective for the same period as covered by the Nursing Facility Financial Statement.

(3) The per diem costs of each facility will be used to establish the basic rate on July 1 of each odd numbered year.

(4) Costs, revenues, assets, liabilities, and owner's equity attributable from a home office or regional office to a provider under OAR 411-070-0345 will be included on the Nursing Facility Financial Statement in the Home Office column. The home office financial data must be reconcilable to the home office financial statements and records.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070 & 414.065

411-070-0425 Resident Days

(Effective 2/1/2006)

The provider must keep census records on all residents.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0428 Cost Center Expenses
(Repealed Effective 3/1/2008)

411-070-0430 Allocation Methods
(Effective 2/1/2006)

(1) The provider must use the allocation methods designated on the Nursing Facility Financial Statement: COST -- ALLOCATION METHOD

- (a) Property -- Resident Days or Square Footage;
- (b) Administrative and General -- Resident Days;
- (c) Other Operating Support -- Resident Days;
- (d) Food -- Resident Days;
- (e) Direct Care Compensation -- Actual Cost or Resident Days;
- (f) Direct Care Supplies -- Actual Cost or Resident Days.

(2) Where costs are related to non-nursing facility activities, the provider must use an appropriate allocation method to reasonably and accurately allocate these costs (see OAR 411-070-0415). For residential care facility clients, the facility will use resident days for all areas except Direct Care Compensation and Direct Care Supplies and Property. The Direct Care Compensation and Direct Care Supplies allocation will be actual costs incurred. The Property allocation method may be based on either resident days or on square footage and must be designated on the Nursing Facility Financial Statement.

(3) Square footage will be used to allocate property costs to pediatric units as defined in OAR 411-070-0452.

(4) Actual payroll for the Pediatric Unit will be used as the basis for allocating Direct Care Compensation to pediatric units.

(5) If the Department determines that for a provider it is more reasonable and accurate to use a different allocation method than specified in sections (1) and (2) of this Rule, then such allocation method must be used.

Stat. Auth.: ORS 414.070

Stats. Implemented: ORS 410.070

411-070-0435 Appeals

(Effective 2/1/2006)

(1) The Department will send letters to a provider that inform the provider of any changes made by the Department from the provider Nursing Facility Financial Statement. A provider is entitled to an informal conference or a contested case hearing pursuant to ORS 183.413 -183.470, as described in sections (2) or (3) of this rule, to protest the change(s).

(2) The provider may request an informal conference, by notifying the Department in writing within 30 days of receipt of the letter from the Department that informs the provider of the change(s). The request for an informal conference must be postmarked within the 30-day limit and must state, specifically, the reason(s) for requesting the conference. At the informal conference, the provider may submit documentation and explain the basis for the provider's protest. Following the informal conference, the Department will notify the provider of its decision by mail. No judicial review is available following a decision from an informal conference. If the provider is not satisfied with the decision, the provider may request a contested case hearing pursuant to ORS 183.413-183.470 by notifying the Department in writing of the request for the hearing within 10 working days of the date of the decision letter from the informal conference. If a provider is not satisfied with the results from the contested case hearing, the provider may petition for judicial review pursuant to ORS 183.480-183.497.

(3) As an alternative to section (2) of this rule, the provider may request a contested case hearing pursuant to ORS 183.413-183.470 by notifying the Department in writing that a contested case hearing is requested within 30 days of receipt of the letter from the Department that informs the provider of the change(s). The request for the contested case hearing must be postmarked within the 30-day limit and must state, specifically, the reason(s) for requesting the hearing. If a provider is not satisfied with the

results from the contested case hearing, the provider may petition for judicial review pursuant to ORS 183.480 - 183.497.

(4) If no request for an informal conference or contested case hearing is made within the specified time period, the most recent decision from the Department will automatically become a final order.

(5) A provider may request documentation supporting the change(s) from the Department; however, a request for documentation does not toll the time period within which an informal conference or contested case must be requested. The Department will produce these work papers within 30 days of receipt for a written request.

Stat. Auth.: ORS 414.070

Stats. Implemented: ORS 410.070

411-070-0442 Per Diem Rate Setting For the Rate Period Beginning July 1, 2003 Calculation of the Basic Rate and Complex Medical Needs Add-on Rate
(Effective 3/1/2008)

(1) The rates are determined for the first year of each biennium, the rebasing year, and the second year of each biennium, the non-rebasing year.

(a) The Rebasing Year.

(A) The basic rate is based on the statements received by the Department by September (or postmarked by October 31, if an extension of filing has been approved by the Department) for the fiscal reporting period ending on June 30 of the previous even-numbered year. For example, for the biennium beginning July 1, 2003, statements for the period ending June 30, 2002 are used. The Department desk reviews or field audits these statements and determines the allowable costs for each nursing facility. The costs include both direct and indirect costs. The costs and days relating to pediatric beds are excluded from this calculation.

(B) For each facility, its allowable costs, less the costs of its self-contained pediatric unit (if any) is inflated from the mid-point of its fiscal reporting period to the mid-point of the first year of the biennium, hereafter referred to as the base year (e.g., for the biennium beginning July 1, 2003, the base year is the fiscal period ending June 30, 2004) by the annual change in the DRI Index, or its successor index, as measured in the previous 4th quarter.

(C) For each facility, its allowable costs per Medicaid day is determined using the allowable costs as inflated and resident days excluding pediatric days as reported in the statement.

(D) The facilities are ranked from highest to lowest by the facility's allowable costs per Medicaid day.

(E) The basic rate will be determined by ranking the allowable costs per Medicaid day by facility and identifying the allowable cost per day at the applicable percentage. If there is no allowable cost per day at the applicable percentage, the basic rate is determined by interpolating the difference between the allowable costs per day that are just above and just below the applicable percentage to arrive at a basic rate at the applicable percentage.

(i) The applicable percentage for the period beginning July 1, 2003 through June 30, 2005 is at the 63rd percentile.

(ii) The applicable percentage for the period beginning July 1, 2005 through June 30, 2007 is at the 70th percentile.

(iii) The applicable percentage for the period beginning July 1, 2007 is at the 63rd percentile.

(b) The Non-Rebasing Year. On July 1 of each non-rebasing year, the basic flat rate will be inflated by the annual change in the DRI Index, or its successor index, as measured in the previous 4th quarter.

(2) The complex medical needs add-on rate is 40 percent of the basic rate for the rebasing year and the non-rebasing year.

Stat. Auth.: ORS 410.070 & 414.065

Stats. Implemented: 410.070 & 414.065

411-070-0452 Pediatric Nursing Facilities

(Effective 3/1/2008)

(1) PEDIATRIC NURSING FACILITY.

(a) A pediatric nursing facility is a licensed nursing facility at least 50 percent of whose residents entered the facility before the age of 14 and all of whose residents are under the age of 21.

(b) A nursing facility that meets the criteria of section (1)(a) of this rule will be reimbursed as follows:

(A) The pediatric rate is a prospective rate and is not subject to settlement.

(B) The facility specific pediatric cost per resident day will be inflated by the annual change in the DRI Index as measured in the previous 4th quarter. The Oregon Medicaid pediatric days are multiplied by the inflated facility specific cost per resident day for each pediatric facility. The totals are summed and divided by total Oregon Medicaid days to establish the weighted average cost per pediatric resident day. The rebase relationship percentage (90.18%), determined in the implementation of the flat rate system in 1997, is applied to the weighted average cost to determine the pediatric rate.

(C) On July 1 of each non-rebasing year after 1999, the pediatric rate will be increased by the annual change in the DRI Index, as measured in the previous 4th quarter. Beginning in 2001 rate rebasing will occur in alternate years. Rebasing of pediatric nursing facility rates will be calculated using the method described in section (1)(b)(B) of this rule.

(c) Even though pediatric facilities will be reimbursed in accordance with section (1)(b) of this rule, pediatric facilities must comply with all requirements relating to the timely submission of Nursing Facility Financial Statements.

(2) LICENSED NURSING FACILITY WITH A SELF-CONTAINED PEDIATRIC UNIT.

(a) A nursing facility with a self-contained pediatric unit is a licensed nursing facility that provides services for pediatric residents (residents under the age of 21) in a separate and distinct unit within or attached to the facility with staffing costs separate and distinct from the rest of the nursing facility. All space within the pediatric unit must be used primarily for purposes related to the services of pediatric residents and alternate uses must not interfere with the primary use.

(b) A nursing facility that meets the criteria of section (2)(a) of this rule will be reimbursed for its pediatric residents served for in the pediatric unit at the per diem rate described in section (1)(b) of this rule commencing on July 1, 1999.

(c) Licensed nursing facilities with a self-contained pediatric unit must comply with all requirements relating to the timely submission of Nursing Facility Financial Statements, and must file a separate attachment, on forms prescribed by the Department, related to the costs of the self-contained pediatric unit.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0462 Long-Term Care Upper Limit
(Repealed Effective 3/1/2008)

411-070-0464 Final Report
(Effective 2/1/2006)

(1) FINAL REPORTS. When a provider agreement is terminated for any reason, the provider must submit final reports in accordance with OAR 411-070-0300. Full payment for the month during which the provider agreement is terminated will not be made by the Department until final reports are received and desk reviewed. The Department will initially pay the provider the excess by which the payment for the month in which the provider agreement is terminated exceeds the maximum amount the Department can penalize a provider under OAR 411-070-0300(2)(c). The remainder of the payment must be made by the Department after receipt and desk review of final reports.

(2) Settlement rates based on Nursing Facility Financial Statements submitted for the period that ends June 30, 1997 must be calculated as defined by these rules as they existed on June 30, 1997.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0465 Uniform Chart of Accounts

(Effective 3/1/2008)

The following account definitions will be used to classify the dollar amounts on the Nursing Facility Financial Statement (NFFS). The account balance is to be reported in whole dollars under the facility gross column on the NFFS and referenced by the providers' chart of accounts number. It is the provider's responsibility to ensure that the balances reported reconcile to their fiscal year statements and general ledger balances with any differences explained on Schedule A to Form SPD 35 or SPD 35A. The provider is responsible for making adjustments to these accounts for non-allowable items and amounts using the adjustment column to arrive at the net allowable balance. Each adjustment is to be explained on Schedule A to Form SPD 35 or SPD 35A.

(1) CURRENT ASSETS -- The following accounts include cash and other assets reasonably expected to be realized in cash or sold, or consumed during the normal nursing facility operating cycle, or within one year when the operating cycle is less than one year.

- (a) 101 -- Cash on Hand -- This account balance represents the amount of cash on hand for petty cash funds.
- (b) 102 -- Cash in Bank -- This account balance represents the amount in a bank checking account.
- (c) 103 -- Cash in Savings -- This account balance represents the amount accumulated in a savings account.
- (d) 104 -- Resident Trust Account -- This account balance represents the amount of resident funds entrusted to the provider and held as cash on hand in the bank.
- (e) 109 -- Accounts Receivable -- This account balance represents the amounts due from or due on behalf of all residents at the end of the fiscal period being reported.
- (f) 110 -- Notes Receivable -- This account balance represents the current balance of amounts owed to the facility (payee) that are covered by a written promise to pay at a specified time, and is signed and dated by the maker.
- (g) 111 -- Allowance for Doubtful Accounts -- This account balance represents amounts owed to the facility and estimated to be uncollectible.
- (h) 115 -- Employee Advances -- This account balance represents amounts paid in advance to employees for salaries or wages that will be liquidated in the next payroll cycle following the closing date of the financial statement.
- (i) 120 -- Inventory -- This account balance represents the cost value of inventory on hand at the end of the reporting period.
- (j) 125 -- Prepaid Expenses -- This account balance represents the cost value of paid expenses not yet incurred covering regularly recurring costs of operation like rent, interest, and insurance.
- (k) 149 -- Other Current Assets -- This account balance comprises all current assets not identified above. Each item in this account,

including short-term savings certificates, must be explained on Schedule A to Form SPD 35 or SPD 35A.

(2) NON-CURRENT ASSETS -- The balances of the following accounts represent assets not recognized as current.

(a) 151 -- Land -- This account balance represents the acquisition cost and other costs, like legal fees and excavation costs that are incurred to put the land in condition for its intended use.

(b) 153 -- Building(s) -- This account balance represents the acquisition cost of permanent structures and property owned by the provider used to house residents. It includes the purchase or contract price of all permanent buildings and fixed equipment attached to and forming a permanent part of the building(s).

(c) 154 -- Accumulated Depreciation -- This account balance represents the accumulation of provisions made to record the expiration in the building(s) life attributable to wear and tear through use, lapse of time, obsolescence, inadequacy or other physical or functional cause. The straight line method is the only recognized depreciation method for cost reimbursement.

(d) 155 -- Land Improvements -- This account balance represents the acquisition cost of permanent improvements, other than buildings that add value to the land. It includes the purchase or contract price.

(e) 156 -- Accumulated Depreciation -- This account is of the same nature and is used in the same manner as Account 154.

(f) 157 -- Building Improvements -- This account balance represents the acquisition cost of additions or improvements that either add value to or increase the usefulness of the building(s). It includes the purchase or contract price.

(g) 158 -- Accumulated Depreciation -- This account is of the same nature and is used in the same manner as Account 154.

(h) 161 -- Equipment -- This account balance represents the acquisition cost of tangible property of a permanent nature, other than

land, building(s) or improvements, used to carry on the nursing facility operations. It includes the purchase or contract price.

(i) 162 -- Accumulated Depreciation -- This account is of the same nature and is used in the same manner as Account 154.

(j) 165 -- Leasehold Improvements -- This account balance represents the acquisition cost of any long-lived improvements or additions to the property being leased that will belong to the owner (lessor) at the expiration of the lease.

(k) 166 -- Accumulated Amortization -- This account is of the same nature and is used in the same manner as Account 154 except the cost of improvements or additions will be amortized over the lesser of the expected benefit life or the remaining life of the lease.

(l) 181 -- Investments -- This account balance represents the value of assets unrelated to the nursing facility operation. The detail of this account must be explained on Schedule A to Form SPD 35 or SPD 35A.

(m) 187 -- Goodwill -- This account balance represents the value of goodwill identified with the purchase of assets.

(n) 199 -- Other -- Non-Current Assets -- This account balance comprises all non-current assets not identified above. Each item in this account, including long-term savings certificates, must be explained on Schedule A to Form SPD 35 or SPD 35A.

(3) CURRENT LIABILITIES -- The balances of the following accounts are considered current liabilities.

(a) 201 -- Accounts Payable -- This account balance represents the liabilities for goods and services received but unpaid at the end of the reporting period.

(b) 202 -- Accounts Payable -- Resident Trust Account -- This account balance represents the amount owed to residents for the cash entrusted to the facility in Account 104.

(c) 203 -- Notes Payable -- Other -- This account balance represents the current portion of the amount owed by the facility that is covered by a written promise to pay at a specified time and is signed and dated by the facility (maker).

(d) 204 -- Notes Payable to Owner -- This account balance represents notes payable to the owner(s) and is of the same nature and is used in the same manner as Account 203.

(e) 205 -- Accrued Interest Payable -- This account balance represents the liabilities for interest accrued at the end of the reporting period but not payable until a later date.

(f) 207 -- Other Accrued Payable -- This account is of the same accrual nature and is used in the same manner as Account 205 and is to be explained in detail on Schedule A to Form SPD 35 or SPD 35A.

(g) 208 -- Payroll Payable -- This account balance is the accrued payroll, less withheld payroll taxes and other deductions, payable to employees at the end of the reporting period.

(h) 217 -- Payroll Tax Payable -- This account balance is the employer's share of accrued payroll taxes payable at the end of the reporting period.

(i) 218 -- Payroll Deductions Payable -- This account balance is the employee's share of accrued payroll taxes withheld from the employer's gross pay payable at the end of the reporting period.

(j) 219 -- Deferred Income -- This account balance represents the liability for revenue collected in advance.

(k) 229 -- Other Current Liabilities -- This account balance comprises all current liabilities not identified above. The nature and purpose of amounts included in this account must be explained on Schedule A to Form SPD 35 or SPD 35A.

(4) LONG-TERM LIABILITIES -- The balances of the following accounts are considered long-term liabilities.

(a) 231 -- Long-Term Mortgage Payable -- This account balance represents the amount owed by the facility that is secured by a mortgage or other contractual agreement providing for conveyance of property at a future date.

(b) 233 -- Long-Term Notes Payable -- This account is of the same nature and is used in the same manner as Account 203 except the liability extends beyond one year.

(c) 234 -- Long-Term Notes Payable Owner -- This account is of the same nature and is used in the same manner as Account 204 except the liability extends beyond one year.

(d) 249 -- Other Long-Term Liabilities -- This account comprises all long-term liabilities not identified above. The amount and nature of items in this account must be explained on Schedule A to Form SPD 35 or SPD 35A.

(5) NET WORTH -- The balances of the following accounts represent the amount by which the facility's assets exceed its liabilities.

(a) 251 -- Capital Stock -- This account balance represents the amount of cash or property received in exchange for the corporation's capital stock.

(b) 255 -- Retained Earnings -- This account balance represents the amount of capital resulting from retention of corporate earnings.

(c) 261 -- Capital Account -- This account balance represents the book value of the proprietor or partner(s) equity in the facility.

(d) 265 -- Drawing Account -- This account balance represents the owners withdrawals of funds during the reporting period that were not paid as part of the payroll.

(e) 290 -- Net Profit (Loss) -- This account balance is the facility's revenue minus expenses for the reporting period.

(6) RESIDENT REVENUE -- These accounts include room and board revenue and related room and board contractual adjustments including revenue from bed hold days for routine service charges exclusive of ancillary charges. Routine service charges are to be reported in the following accounts:

(a) 301 -- Private Resident -- Complex Medical Needs -- This account includes room and board revenue for complex medical needs routine private resident services including health maintenance organization (HMO) payer source for private residents. These are private pay residents whose medical needs correspond to the Medicaid complex medical needs criteria.

(b) 303 -- Private Resident -- Basic Rate -- This account includes room and board revenue for basic rate routine private resident services including HMO payer source for private residents. These are private pay residents whose medical needs correspond to the Medicaid basic rate needs criteria.

(c) 304 -- Private Resident -- Assisted Living Facilities/Residential Care Facilities -- This account includes room and board revenue for other than private complex medical needs and basic rate, non long-term residents and is to be explained on Schedule A to Form SPD 35 or SPD 35A.

(d) 311 -- Medicaid Resident -- Complex Medical Needs -- This account includes room and board revenue from all sources for complex medical needs Medicaid residents.

(e) 312 -- Medicaid Resident -- Pediatric -- This account includes room and board revenue from all sources for pediatric Medicaid residents.

(f) 313 -- Medicaid Resident -- Basic Rate -- This account includes room and board revenue from all sources for basic rate Medicaid residents.

(g) 314 -- Medicaid -- Assisted Living Facilities/Residential Care Facilities -- This account includes room and board revenue for Medicaid, non long-term resident services from all sources other than

NF Payment Categories 1, basic rate, complex medical needs and pediatric and is to be explained on Schedule A to Form SPD 35 or SPD 35A.

(h) 315 -- Medicaid -- HMO -- This account includes room and board revenue from all sources for Medicaid-HMO resident services.

(i) 316 -- Medicaid -- Out of State -- This account includes room and board revenue from all sources for non-Oregon Medicaid resident services.

(j) 318 -- Medicare Resident -- This account includes room and board revenue from all sources for Medicare resident services.

(k) 319 -- Other Governmental Resident -- This account includes room and board revenue from all sources for Veteran Affairs and other governmental program resident services other than Medicaid or Medicare and is to be explained on Schedule A to Form SPD 35 or SPD 35A.

(7) ANCILLARY REVENUE -- These accounts include revenue for professional and non-professional services and supplies not included in section (6) of this rule. Revenue other than that described above must be reported as gross revenue and related expenses to be reported in the appropriate expense accounts. Ancillary service charges and ancillary contractual adjustments are to be reported in the following accounts:

(a) 321 -- Nursing Supplies -- This account includes revenue from the sale of nursing supplies or services.

(b) 322 -- Oxygen -- This account includes revenue from the sale of oxygen (gas) and concentrator supplies.

(c) 323 -- Prescription Drugs -- This account includes revenue from the sale of prescription drugs.

(d) 324 -- Laboratory -- This account includes revenue from laboratory services provided.

(e) 345 -- X-Ray -- This account includes revenue from X-Ray services.

(f) 326 -- Equipment Rental -- This account includes revenue from equipment rental.

(g) 330 -- Physical Therapy -- This account includes revenue from physical therapy services provided.

(h) 331 -- Speech Therapy -- This account includes revenue from speech therapy services.

(i) 332 -- Occupational Therapy -- This account includes revenue from occupational therapy services.

(j) 341 -- Personal Purchases -- This account includes revenue from residents for personal purchases.

(k) 342 -- Barber and Beauty -- This account includes revenue from residents for barber and beautician services.

(l) 349 -- Other Ancillary -- Items and amounts included in this account must be described on Schedule A to Form SPD 35 or SPD 35A.

(m) 398 -- Contractual Adjustments -- This is a revenue offset account and includes all contractual adjustments to resident revenue and ancillary revenue.

(8) OTHER REVENUE -- These accounts include other revenue, exclusive of resident and ancillary revenue. The intent is for revenue to be reported in gross and the related expenses reported in the appropriate expense accounts. Other revenues are classified as follows:

(a) 901 -- Grants -- This account includes revenue amounts received in the reporting period from public and privately funded grants and awards.

(b) 902 -- Donations -- This account includes donations in the form of cash or goods and services received during the reporting period.

(c) 911 -- Interest -- This account includes revenue from any interest bearing note, bank account, or certificate.

(d) 912 -- Staff & Guest Food Sales -- This account includes revenue from facility food sales to individuals other than residents of the facility.

(e) 913 -- Vending Sales -- This account includes revenue from vending machines or for resale items not reported in Accounts 813 and 351.

(f) 914 -- Television and Telephone Revenue -- This account includes revenue from television and telephone sales to residents of the facility.

(g) 915 -- Independent Senior Housing -- This account includes revenue from any other apartment and continuing care retirement community housing.

(h) 916 -- Hospital Revenue -- This account includes revenue from hospital operations not related to the nursing facility.

(i) 918 -- Nursing Aide Training -- This account is for reporting all revenue associated with OAR 411-070-0470, Nursing Assistant Training and Competency.

(j) 919 -- Miscellaneous Other Revenue -- Items and amounts, including revenues for Mental Health revenues received from local governments, and Workers Compensation refunds, included in this account are to be described on Schedule A to Form SPD 35 or SPD 35A.

(9) PROPERTY EXPENSES -- These accounts are for reporting property expenses.

(a) 452 -- Interest -- This account is for reporting all interest expense related to the acquisition of fixed assets, adjusted for historical cost limitations.

(b) 453 -- Rent Building -- This account is for reporting all building rent or lease expenses.

(c) 454 -- Leased Equipment -- This account is for reporting equipment rental and lease expense for all equipment used in the administrative and general and other operating expense categories.

(d) 455 -- Depreciation -- Building -- This account is for reporting depreciation, for the reporting period, associated with assets capitalized in Account 153.

(e) 456 -- Depreciation -- Land Improvement -- This account is for reporting depreciation, for the reporting period, associated with assets capitalized in Account 155.

(f) 457 -- Depreciation -- Building Improvement -- This account is for reporting depreciation, for the reporting period, associated with assets capitalized in Account 157.

(g) 458 -- Depreciation -- Equipment -- This account is for reporting depreciation, for the reporting period, associated with assets capitalized in Account 161.

(h) 459 -- Amortization -- Leasehold Improvement -- This account is for reporting amortization, for the reporting period, associated with assets capitalized in Account 165 and Account 166.

(i) 461 -- Miscellaneous -- Property -- This account is for reporting other property costs, such as amortization of organizational costs, and items of equipment less than \$1,000 that are for general use, such as privacy curtains and blinds.

(10) ADMINISTRATIVE AND GENERAL EXPENSES -- These accounts report expenses for administration of the facility and the business office, and items not readily associated with other departments.

(a) 411 -- Compensation -- Administrator -- This account is for reporting all the compensation received by the licensed administrator of the facility. Compensation includes salary, bonuses, auto, moving, travel and all other allowances paid directly or indirectly by the facility.

(b) 412 -- Compensation -- Assistant Administrator -- This account is to be used for reporting all compensation of the individual who is identified as, and has the specific duties of, Assistant Administrator.

(c) 413 -- Compensation -- Bookkeeper -- This account is for reporting all the compensation received by the facility bookkeeper, controller and chief financial officer.

(d) 415 -- Compensation -- Other Administrative -- This account is for reporting all of the compensation received by administrative, clerical, secretarial, accounting, central supply, in-service director and personnel.

(e) 418 -- Purchased Services -- Administrative -- This account is for reporting all non-employee services required in the administrative operations of the facility.

(f) 440 -- Payroll Taxes -- Administrative -- This account is for reporting all of the employer's portion of payroll taxes, including Federal Insurance Contributions Act (FICA) tax, unemployment and other payroll taxes not withheld from the employee's pay for administrative employees.

(g) 441 -- Worker's Compensation -- Administrative -- This account is for reporting the employer's portion of worker's compensation insurance not withheld from the employee's pay for administrative employees.

(h) 442 -- Employee Benefits -- Administrative -- This account is for reporting all employer paid employee benefits. These benefits include group insurance, facility picnics, prizes, gifts, and holiday dinners. Established child care benefits are to be included when they are accounted for separately and do not relate directly to a compensation account for administrative employees.

(i) 443 -- Employee Paid Time Off -- Administrative -- This account is for reporting established vacation, holiday and sick pay programs for administrative employees.

(j) 420 -- Vending Expense -- This account is for reporting expenses of non-medical, non-resident service items sold to the residents and non-residents including items sold through vending machines.

(k) 423 -- Personal Purchase -- This account is for reporting all expenditures for personal items purchased for individual residents.

(l) 425 -- Office Supplies -- This account is for reporting expenses of all office supplies except those chargeable to Account 863. Materials include stationery, postage, printing, bookkeeping supplies, and office supplies.

(m) 426 -- Communications -- This account is for reporting all telephone, internet access, communication, and paging system charges.

(n) 427 -- Travel -- This account is for reporting all transportation costs and mileage reimbursement associated with vehicles used for resident services or resident recreation, exclusive of insurance and depreciation and for reporting all other travel expenses such as lodging and meals for conferences, conventions, workshops, or training sessions.

(o) 429 -- Advertising -- Help Wanted -- This account is for reporting all help wanted advertising expense.

(p) 430 -- Advertising -- Promotional -- This account is for reporting all expenditures of the facility related to promotional advertising including yellow page advertising.

(q) 431 -- Public Relations -- This account is for reporting all expenditures related to public relations.

(r) 432 -- Licenses, Dues & Subscriptions -- This account is for reporting all fees for facility licenses; dues in professional associations; and costs of subscriptions for newspapers, magazines, and periodicals provided for resident and staff use.

(s) 433 -- Accounting & Related Data Processing -- This account is for reporting all accounting, payroll, and other data and report processing expenses.

(t) 435 -- Legal Fees -- This account is for reporting all legal fees and expenses. Legal fees must be reported in conformance with OAR 411-070-0359(1)(t).

(u) 436 -- Management Fees -- This account is for reporting all management fees charged to the facility, including management salaries and benefits at the home office.

(v) 437 -- Insurance -- Liability -- This account is for reporting all liability insurance expenses, including employee dishonesty, Board of Director, and umbrella coverage.

(w) 439 -- Other Interest Expense -- This account is for reporting interest expense not attributable to the purchase of the facility and equipment.

(x) 444 -- Bad Debts -- This account is for reporting the expense recorded from recognizing a certain portion of accounts receivable as uncollectible.

(y) 445 -- Education & Training -- This account is for reporting registration, tuition, materials, and manual costs for training the staff included in the administrative and general expense category.

(z) 446 -- Contributions -- This account is for reporting the expense of any gift or donation.

(aa) 449 -- Miscellaneous -- This account is for reporting general administrative operating expenses not specifically included in other general administrative operating expense accounts. Entries must be explained in detail on Schedule A to Form SPD 35 or SPD 35A.

(bb) 450 -- Long Term Care Facility Tax, effective 07/01/2003.

(11) OTHER OPERATING SUPPORT EXPENSES -- The following accounts are included in this category.

(a) 511 -- Compensation -- Other Operating Employees -- This account is for reporting all compensation received by employee(s) responsible for providing facility repair and maintenance, dietary, laundry and housekeeping services.

(b) 540 -- Payroll Taxes -- Other Operating -- This account is for reporting all of the employer's portion of payroll taxes, including FICA, unemployment and other payroll taxes not withheld from the employee's pay for other operating employees.

(c) 541 -- Worker's Compensation -- Other Operating -- This account is for reporting the employer's portion of worker's compensation insurance not withheld from the employee's pay for other operating employees.

(d) 542 -- Employee Benefits -- Other Operating -- This account is for reporting all employer paid employee benefits. These benefits include group insurance, facility picnics, prizes, gifts, and holiday dinners. Established child care benefits are to be included when they are accounted for separately and do not relate directly to a compensation account for other operating employees.

(e) 543 -- Employee Paid Time Off -- Other Operating -- This account is for reporting established vacation, holiday and sick pay programs for other operating employees.

(f) 551 -- Purchased Services -- Maintenance -- This account is for reporting all non-employee services required in maintenance operations.

(g) 552 -- Purchased Services -- Dietary -- This account is for reporting all non-employee services required in dietary operations including dietary consulting expenses.

(h) 553 -- Purchased Services -- Laundry -- This account is for reporting all non-employee services in laundry operations.

- (i) 554 -- Purchased Services -- Housekeeping -- This account is for reporting all non-employee services required in housekeeping operations.
- (j) 510 -- Real Estate & Personal Property Taxes -- This account is for reporting real estate and personal property tax expenses for the facility.
- (k) 512 -- Insurance -- Property & Auto -- This account is for reporting all insurance expenses other than liability insurance reportable in Account 437, and employee insurance expenses.
- (l) 513 -- Cable Television -- This account is for reporting all cable and satellite television expenses.
- (m) 514 -- Heat & Electricity -- This account is for reporting all facility heating and lighting expenses.
- (n) 515 -- Water, Sewer & Garbage -- This account is for reporting all water, sewer and garbage expenses.
- (o) 516 -- Maintenance Supplies & Services -- This account is for reporting all expenses required for building and equipment maintenance and repairs including preventative maintenance and not capitalized.
- (p) 526 -- Dietary Supplies -- This account is for reporting the expense of all supplies, dishes and utensils, and non-capitalized equipment utilized within this department, exclusive of food.
- (q) 532 -- Linen and Bedding -- This account is for reporting the expense of all linen and bedding utilized within the facility.
- (r) 536 -- Laundry Supplies -- This account is for reporting the expense of all supplies utilized by the laundry.
- (s) 546 -- Housekeeping Supplies -- This account is for reporting the expense of all supplies utilized to provide housekeeping services.

(t) 549 -- Miscellaneous -- Other Operating -- This account is for reporting other operating support expenses not specifically included in an identified account. Entries must be explained in detail on Schedule A to Form SPD 35 or SPD 35A.

(12) FOOD -- 522 Food -- This account is for reporting all food products and supplements used in food preparations including dietary supplements.

(13) DIRECT CARE COMPENSATION -- These accounts include compensation used in providing direct resident services.

(a) 640 -- Payroll Taxes -- Direct Care -- This account is for reporting the employer's entire portion of payroll taxes, including FICA, unemployment and other payroll taxes not withheld from the employee's pay for direct care employees.

(b) 641 -- Worker's Compensation -- Direct Care -- This account is for reporting the employer's portion of worker's compensation insurance not withheld from the employee's pay for direct care employees.

(c) 642 -- Employee Benefits -- Direct Care -- This account is for reporting all employer paid employee benefits. These benefits include group insurance, facility picnics, prizes, gifts, and holiday dinners. Established child care benefits are to be included when they are accounted for separately and do not relate directly to a compensation account for direct care employees.

(d) 643 -- Employee Paid Time Off -- Direct Care -- This account is for reporting established vacation, holiday and sick pay programs for direct care employees.

(e) 651 Compensation -- Director of Nursing Services -- This account is for reporting all compensation received by employee(s) responsible for directing the nursing services of the facility.

(f) 652 Compensation -- Registered Nurses -- This account is for reporting all compensation received by Registered Nurse employees of the facility who provide nursing services, other than the Director of Nursing Services, but including Resident Care Managers. If a Registered Nurse provides nursing services part of the time and

carries out other duties the rest of the time, this employee's compensation will be allocated to the appropriate account based on time spent on each activity.

(g) 653 Compensation -- Licensed Practical Nurses -- This account is for reporting all compensation received by Licensed Practical or Licensed Vocational Nurse employees of the facility who provide nursing services. If a Licensed Practical Nurse provides nursing services part of the time and carries out other duties the rest of the time, this employee's compensation will be allocated to the appropriate account based on time spent on each activity.

(h) 654 -- Compensation -- Certified Medical Aides -- This account is for reporting all compensation received by certified medical aides.

(i) 655 -- Compensation -- Certified Nursing Aides and Restorative Aides -- This account is for reporting all compensation received by certified nursing aides and restorative aides not part of the physical therapy department.

(j) 656 Compensation -- Other Nursing Employees -- This account is for reporting all compensation received by non-licensed, non-professional employees who provide nursing services. If such employees provide nursing services part of the time and carry out other duties the rest of the time, these employees' compensation will be allocated to the appropriate account based on time spent on each activity.

(k) 661 -- Compensation -- Activities Employees -- This account is for reporting all compensation of employees engaged in the planning and carrying out of resident recreational activities.

(l) 662 -- Compensation -- Social Workers -- This account is for reporting all compensation of social workers and assistants employed to provide social service activities.

(m) 663 -- Compensation -- Medical Records -- This account is for reporting all compensation of medical records employees.

(n) 664 -- Compensation -- Rehabilitation Employees -- This account is for reporting all compensation of occupational and physical therapists, and technicians, and therapy aides employed to provide resident rehabilitation activities or services. This account will be subdivided in accordance with OAR 411-070-0359(3)(g) on Schedule A to Form SPD 35 or SPD 35A.

(o) 671 -- Compensation -- Religious Employees -- This account is for reporting all compensation for individuals employed who provide religious services.

(p) 672 -- Compensation -- Hospital Employees -- This account is for reporting the expense attributable to hospital employees not related to nursing facility long-term care.

(q) 681 -- Compensation -- Other Employees -- This account is for reporting all compensation for dentists, barbers, beauticians, research, and other non-identified personnel employed by the facility and must be explained in detail on Schedule A to Form SPD 35 or SPD 35A.

(r) 752 -- Purchased Services -- Registered Nurses -- This account is for reporting the expense attributable to employment agencies that provide part-time registered nurse employees on a fee and salary basis.

(s) 753 -- Purchased Services - Licensed Practical Nurses -- This account is for reporting the expense attributable to employment agencies that provide part-time licensed practical nurse employees on a fee and salary basis.

(t) 754 -- Purchased Services -- Certified Medical Assistants -- This account is for reporting the expense attributable to employment agencies that provide part time certified medical assistant employees on a fee and salary basis.

(u) 755 -- Purchased Services -- Certified Nursing Assistants & Restorative Aides -- This account is for reporting the expense attributable to employment agencies that provide part-time certified

nursing assistant and restorative aide employees on a fee and salary basis.

(v) 756 -- Purchased Services -- Other Nursing -- This account is for reporting the expense attributable to employment agencies that provide part-time other nursing employees on a fee and salary basis, and must be explained in detail on Schedule A to Form SPD 35 or SPD 35A.

(14) DIRECT CARE SUPPLIES -- These accounts include supplies and services used in providing direct resident services.

(a) 811 -- Education & Training -- This account is for reporting registration, tuition, and book expense associated with education and training of direct care personnel.

(b) 812 -- Nursing Assistant (Aide) Training and Competency Evaluation -- This account is for reporting all expenses associated with OAR 411-070-0470 (which excludes salaries of nurse aide trainees).

(c) 816 -- Nursing Supplies -- This account is for reporting all medical supplies consumed by this department, exclusive of oxygen, used in providing direct care services.

(d) 819 -- Physician Fees -- This account is for reporting all expenditures for physician treatment, services and evaluation of the resident.

(e) 826 -- Oxygen Supplies -- This account is for reporting the expense of all oxygen (gas) and concentrator rentals.

(f) 836 -- Pharmacy Supplies -- This account is for reporting the expense of all materials utilized in the facility pharmacy operation.

(g) 837 -- Drugs and Pharmaceuticals -- Nursing Home -- This account is for reporting all expenditures meeting the criteria of 411-070-0085(2)(j).

(h) 838 -- Drugs & Pharmaceuticals -- Prescriptions -- This account is for reporting all expenditures for legend drugs and biologicals prescribed by a licensed physician and not meeting the criteria of 411-070-0090.

(i) 846 -- Laboratory Supplies & Fees -- This account is for reporting the expense of all materials utilized in the facility laboratory operation and fees paid for non-employee pathologist and laboratory technician services.

(j) 856 -- X-Ray Supplies & Fees -- This account is for reporting the expense of all materials utilized in the facility X-Ray department and fees for non-employee radiologists and X-Ray technician services.

(k) 859 -- Equipment Rental -- Chargeable -- This account is for reporting chargeable equipment rental costs for equipment used in direct care services cost categories.

(l) 861 -- Barber & Beauty -- The cost of non-employee barber and beautician services will be reported in this account.

(m) 863 -- Medical Records Supplies -- This account is restricted to materials and software used in resident charting, including data processing for medical records.

(n) 866 -- Activities & Recreational Supplies -- This account is for reporting the expense of entertainers, and all materials used in providing resident recreational activities. Related transportation is to be reported in Account 427.

(o) 876 -- Rehabilitation Supplies & Fees -- This account is for reporting the expense of all materials used in providing occupational and physical therapy including fees for non-employee related services. This account must be subdivided in accordance with OAR 411-070-0359(3)(I) on Schedule A to Form SPD 35 or SPD 35A.

(p) 882 -- Utilization Review -- This account is for reporting the expenses of all non-employee fees associated with utilization review.

(q) 889 -- Consultant Fees -- This account is for reporting all expenditures for consultant fees, including travel and lodging, exclusive of dietary and management consultants and must be explained in detail on Schedule A to Form SPD 35 or SPD 35A.

(r) 899 -- Miscellaneous -- Expenses reported in this account must be explained in detail on Schedule A to Form SPD 35 or SPD 35A.

Stat. Auth.: ORS 410.070

Stats. Implemented: ORS 410.070

411-070-0470 Nursing Assistant Training and Competency Evaluation Programs Cost Reports

(Effective 2/1/2006)

(1) COST REPORT REQUIRED. Medicaid certified facilities must file a Nursing Assistant Training and Competency Evaluation Program (NATCEP) cost report (Form SDS 451) quarterly with the Department's Financial Audit Unit that meets the following standards:

(a) Due Date, Period. A NATCEP cost report is due and must be postmarked by the last day of the calendar quarter subsequent to the quarter that it covers (or postmarked the first business day after the quarter if the last day of the quarter is a Sunday or holiday). The cost report must identify all costs incurred and related revenues (not including NATCEP payments from the Department) received during the reporting period. If a facility fails to file a report postmarked as described, NATCEP reimbursement must be reduced by three percent for each business day the report is past due until received.

(b) Format and Content. A cost report must:

(A) Be submitted on a form provided by the Department;

(B) Include actual costs incurred and paid by the facility. The Department will not reimburse a facility prospectively;

(C) Include all revenue (not including NATCEP payments from the Department) received by the facility for conducting nurse

aide training. All revenue must be used to offset the costs incurred and paid in the period;

(D) Include appropriate documentation to support each specific area identified for payment by the state; for example, invoices for equipment purchases or to reimburse contract trainers, time sheet for qualified facility training staff, evidence an aide paid for NATCEP and was reimbursed by the facility as specified in section (2) of this rule. Failure to provide required documentation will result in the form being rejected and returned to the facility;

(E) Include all appropriate NATCEP costs and revenues only. NATCEP costs, including costs disallowed, must not be reimbursed as part of the facility's all-inclusive rate; however, NATCEP costs, revenues and reimbursement must be included on the facility's annual Nursing Facility Financial Statement; and

(F) Include only true and accurate information. If a facility knowingly or with reason to know files a report containing false information, such action must constitute cause for termination of the facility's provider agreement with the Department. Providers filing false reports may be referred for prosecution under applicable statutes.

(2) CHARGING OF FEES PROHIBITED. The nursing facility must not charge a trainee any fee for participation in NATCEP or for any textbooks or other materials required for NATCEP if the trainee is employed by or has an offer of employment from a nursing facility on the date on which the NATCEP begins.

(3) FEES PAID BY EMPLOYER.

(a) All charges and materials required for NATCEP and fees for nursing assistant certification must be paid by the nursing facility if it offered employment at the facility on the date training began.

(b) If a nursing assistant who is not employed by a Medicaid certified facility and does not have an offer of employment by a Medicaid nursing facility on the date on which the NATCEP began becomes

employed by or receives an offer for employment from a nursing facility within twelve months after completing a NATCEP, the employing facility must reimburse the Certified Nursing Assistant (CNA) on a monthly basis for any NATCEP fees paid (including any fees for textbooks or other required course materials) by the CNA. Evidence the nurse aide paid for training must include the graduation certificate from the school and receipt of payment.

(c) Such reimbursement must be calculated on a pro rata basis. The reimbursement must be determined by dividing the cost paid by the nursing assistant by 12 and multiplying by the number of months during this twelve-month period in which the aide worked for the facility. The facility must claim the appropriate pro rata amount on each report it submits not to exceed the lesser of 12 months or the total number of months the CNA was employed at that facility. The facility must submit evidence provided by the CNA of the training costs incurred at an approved training facility.

(4) REIMBURSEMENT BY THE DEPARTMENT. The Department will reimburse the facility for the Medicaid portion of the costs described in this section unless limited by the application of section (5). This portion is calculated by multiplying the eligible costs paid by the facility by the percentage of resident days that are attributable to Medicaid clients during the reporting period. The Department's payment to the facility for the NATCEP cost is in addition to payments based upon the facility's all-inclusive rate.

(a) Employee Compensation. Reimbursement for trainer hours must not exceed 1 1/3 times the number of hours required for certification. A facility may claim reimbursement for the portion of an employee's compensation attributable to nurse aide training if:

(A) The employee meets the qualifications of 42 CFR 483.152 and OAR chapter 851, division 061 (licensed nursing personnel or persons licensed in other health care professions);

(B) The employee directly conducts training or testing in a certified program;

(C) The employee's compensation, including benefits, is commensurate with other RN compensation paid by the facility;

(D) The employee's total compensated hours do not exceed 40 in any week during which NATCEP reimbursement is claimed;

(E) No portion of the claimed reimbursement is for providing direct care services while assisting in the training of nurse aides if providing direct care services is within the normal duties of the employee; and

(F) The facility provides the Department with satisfactory documentation to support the methodology for allocating costs between facility operation and NATCEP.

(b) Training Space and Utilities. Costs associated with space and utilities are eligible only if the space and utilities are devoted 100 percent to the NATCEP. The facility must provide documentation satisfactory to the Department to support the need for and use of the space and utilities.

(c) Textbooks and Course Materials. A portion of the cost of textbooks and materials is eligible if textbooks and materials are used primarily for NATCEP. The portion reimbursable is equal to the percentage of use attributable to NATCEP. "Primarily" means more than 50%. The facility must provide satisfactory documentation supporting the NATCEP need for and percentage of use of textbooks and materials.

(d) Equipment. A portion of the cost of equipment is eligible if used primarily for NATCEP. However, equipment purchased for \$500 or more per item must be prior approved by the Department to qualify for reimbursement. The portion reimbursable is equal to the percentage of use attributable to NATCEP. "Primarily" means more than 50%. The facility must provide satisfactory documentation supporting the NATCEP need for and percentage of use of the equipment. Disposition of equipment and software purchased in whole or in part under the Title XIX Medicaid Program must meet the requirements of the facility's provider agreement.

(e) Certification Fees. Nursing assistant certification and recertification fees paid to the Oregon State Board of Nursing for facility employees are eligible.

(f) Reimbursement for CNAs. Reimbursement provided to nursing assistants pursuant to section (3) of this rule is eligible. The training must have occurred at an approved training center, including nursing facilities in Oregon or other states.

(g) Contract Trainers. Payment for nurse aide certification classes provided under contract by persons who meet the qualifications of 42 CFR 483.152 is eligible for reimbursement. For this purpose, either the facility or the contractor must be certified for NATCEP. Allowable contract trainer payments will be limited to the lesser of actual cost or the salary calculation described in subsection (4)(a) of this rule.

(h) Ineligible Costs -- Trainee Wages. Wages paid to nursing assistants in training are not eligible for NATCEP reimbursement, but may be claimed as part of the daily reimbursement costs.

(i) Reimbursement for Combined Classes. If two or more Medicaid certified facilities cooperate to conduct nurse aide training, the Department will not reimburse any participating facility for the combined training class until all participating facilities have filed a cost report. For a combined class, the Department will apportion reimbursement to participating facilities pro rata based on the number of students enrolled at the completion of the first 30 hours of classroom training or in any other equitable manner agreed to by the participating facilities. However, when cooperating facilities file separate NATCEP cost reports, nothing in this subsection authorizes the Department to deny or limit reimbursement to a facility based on a failure to file or a delay in filing by a cooperating facility.

- (5) (a) Notwithstanding section (4) of this rule, the Department will calculate the 80th percentile of the Medicaid portion of reported NATCEP costs per trainee completing the training. If a facility's Medicaid portion exceeds the 80th percentile of costs, the Department will evaluate the facility's NATCEP costs to determine whether its costs are necessary due to compelling circumstances including, but not limited to:

- (A) Rural or isolated location of the training facility;
- (B) Critical client care need;
- (C) Shortage of certified nursing aides available in the local labor market; or
- (D) Absence or inadequacy of other training facilities or alternative training programs, e.g., community college certification programs.

(b) If, under the analysis in subsection (5)(a) of this rule, the Department finds that a facility's NATCEP costs are justified, the Department will reimburse the reported costs pursuant to section (4) of this rule. However, if, under the analysis in subsection (5)(a) of this rule, the Department finds that a facility's NATCEP costs are not justified, the Department will reimburse the reported costs pursuant to section (4) of this rule, but limited by the cost plateau.

(6) (a) Recordkeeping, Audit and Appeal. The facility must maintain supportive documentation for a period of not less than three years following the date of submission of the NATCEP cost report. This documentation must include records in sufficient detail to substantiate the data reported. If there are unresolved audit questions at the end of the three-year period, the records must be maintained until the questions are resolved. The records must be maintained in a condition that can be audited.

(b) The Department will analyze by desk review each timely filed and properly completed NATCEP cost report. All cost reports are also subject to field audit at the discretion of the Department. The facility will be notified in writing of the amount to be reimbursed and of any adjustments to the cost statement. Settlement of any amounts due to the Department must be made within 30 days of the date of notification to the facility.

(c) A facility is entitled to an informal conference and contested case hearing pursuant to ORS 183.413 through 183.470, as described in OAR 411-070-0435, to protest the reimbursement amount or the

adjustment. If no request for an informal conference or contested case hearing is made within 30 days, the decision becomes final.

[Publications: Publications referenced are available from the agency.]

Stat. Auth.: ORS 414.070

Stats. Implemented: ORS 410.070