STATE OF NEW YORK
DEPARTMENT OF HEALTH OFFICE OF HEALTH SYSTEMS MANAGEMENT
WER BUILDING • THE GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA • ALBANY, N.Y. 12237
VID AXELROD, M.D.
Commissioner
Michael R. McGarvey, M.D.
Acting Director
JOANNE M. J. QUAN
Deputy Director
Division of Health Care Financing

January 14, 1981

Dear Administrator/Comptroller:

This letter is to provide you with information concerning the implementation of the New York State Residential Health Care Facility Accounting and Reporting Manual related to the following areas:

1. penalties for late or incomplete filing of the 1979 RHCF-4 Quarterly Test Report,

2. the application of equivalent weights in providing statistics for disposable linen usage,

3. a new requirement to supply cost allocation statistics for indirect costs,

4. a new policy allowing the submission of proposed reclassifications of expenses based on direct assignment,

5. a new policy allowing the submission of alternative allocation bases for ancillary service revenue centers,

6. new accounts added to the Manual for governmentally operated facilities, and

7. a clarification that the performance of time studies can be used for determining the need for reclassifications.

PENALTIES

As a result of almost complete compliance, and the short time frame allowed for its completion, facilities will not be penalized for failing to file or for late or incomplete filing of the test report for the quarter ended September 30, 1979.

DISPOSABLE LINENS

Attached is a conversion table of equivalent weights for commonly used disposable linens. Facilities may refer to their own equivalent weight schedules if a more reasonable basis has been established or for types of disposables not listed in the table. For the 1980 report only, if a facility has not accumulated a statistic for the equivalent weights of disposable linens distributed (by department for the cost allocation statistic, in the aggregate for the standard unit of measure), an annual projection may be arrived at based on a sample of only one two-week period. Facilities may choose any representative two-week period between the date of this letter and the close of the first quarter of 1981. Beginning with the 1981 cost report, facilities

will report the equivalent weights of disposable linens as follows. For the standard unit of measure, the equivalent weight of disposable linens used will be accumulated in the aggregate, (not sampled), combined with actual pounds of laundry processed, if any, and the total for the year reported as "pounds of laundry processed."

For the cost allocation basis, the equivalent weight of disposable linens distributed to the various departments will be established based on a sample for a two-week period in each quarter of the year. This statistic, for each department, will be combined with the statistic of pounds of actual laundry distributed, if any, for each department which was established based on the same type of sample and the aggregate totals reported for each department served.

COST ALLOCATION STATISTICS FOR INDIRECT COSTS

Facilities will be required for 1980 and future periods to provide cost allocation statistics for cost centers in which no direct costs have been reported but which, as a result of the cost finding process, will receive indirect costs. For example, even though a facility has not reported direct costs in the x-ray cost center, the cost allocation statistic, "CAP workload measurement units by program area," would be required if the x-ray cost center was assigned cost allocation statistics from other cost centers. An x-ray area would have square footage assigned to it which would result in indirect costs such as depreciation, interest, etc., being allocated to the x-ray department. The cost allocation statistic is necessary, therefore, to allocate such costs from the x-ray department to the program areas it serves, i.e., SNF, HRF, etc.

The 1980 cost report will include a guide which, during its completion, will show all cost centers for which a cost allocation statistic is required regardless of whether or not direct costs have been reported in a cost center. For the 1980 reporting year only, and only for those cost centers in which direct costs are not reported, an annual projection may be arrived at based on a sample of the related cost allocation statistic for only one two-week period. Facilities may choose any representative two-week period between the date of this letter and the close of the first quarter of 1981.

In future periods, for those cost centers for which direct costs are not reported but the statistic is still required (because the cost center will receive indirect costs), facilities will be required to collect a two-week sample of such statistics during each quarter of the year.

It should be noted that the standard unit of measure is only required to be reported for those cost centers in which direct costs are reported.

RECLASSIFICATIONS VIA DIRECT ASSIGNMENT

It is recognized that a facility may feel that in certain situations, a direct assignment of expenses is a more equitable means of portraying cost experience than the mandated cost allocation statistic. Therefore, the 1980 cost report will include a supplemental exhibit which will permit facilities to submit proposed reclassifications of expenses from one functional reporting center to another based on accurate and supportable direct assignments. Each reclassification proposed must be accompanied by a thorough explanation including the basis for making the direct assignment and must be fully documented in the facility's records. However, any facility that chooses to submit such reclassifications must also provide the mandated cost allocation statistics. If not, the reports will be returned as incomplete (Part 86-2.2).

ALTERNATIVE ALLOCATION BASES

Beginning with the 1980 cost report, facilities will be permitted to report proposed alternative allocation statistics for ancillary service revenue centers as well as for nonrevenue support services. Facilities must provide a detailed justification outlining what the alternative basis is, how it was compiled, and why it is a more accurate means of distributing the costs of a functional reporting center. For each alternative allocation basis proposed, a facility must also report the mandated cost allocation statistic. If not, the reports will be returned as incomplete (Part 86-2.2).

NEW ACCOUNTS

We have found that two account titles necessary for proper reporting in accordance with generally accepted accounting principles were not included in the Manual's chart of accounts. Accordingly, we have added the following accounts:

Governmentally operated facilities	Account Number
Equity Account:	
Contributions from Other Funds	2370
Nonoperating Revenue Account:	
Contributions from Other Funds	9075

TIME STUDIES

As a matter of clarification, the Manual refers to the use of time studies (pages 4101-4104) to reclassify significant amounts of misplaced costs from one functional reporting center to another. It should be noted that time studies may also be utilized to determine whether or not reclassifications

are required, i.e., whether the misplaced costs meet the criteria for significance.

All of these changes will be included in a packet of formal Manual revisions at a later date.

If you should have any questions concerning the above or the Manual in general, please direct them to Mr. Joseph L. Angerami of the Bureau of Residential Health Care Facility Reimbursement at (518) 473-8822.

Very truly yours,

Joanne M. J. Quan
Deputy Director
Division of Health Care Financing

Attachment

SCHEDULE OF EQUIVALENT WEIGHTS FOR DISPOSABLE LINEN SUBSTITUTES

Disposable Item*	Clean, Dry Weight-Reusables
Bib, Adult	.128 lb.
Diaper, Adult	.548 lb.
Patient Gown	.500 lb.
Mattress Cover	1.304 lb.
Pillowcase	.244 lb.
Bed Sheet	1.438 lb.
Underpad 17" x 24"	.329 lb. (medium-weight)
23" x 24"	.445 lb. (medium-weight)
23" x 36"	.667 lb. (medium-weight)
Washcloth	.069 lb.

*The costs of these items will be recorded in the Laundry and Linen cost center and assigned the natural classification, .38 - Disposable Linen.

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JOANNE M. J. QUAN
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Division of Health Care Financing

January 27, 1981

Dear Administrator/Comptroller:

We have discovered a technical error within the first set of formal Manual revisions which were distributed under cover of Health Facilities Memorandum 80-50 dated August 20, 1980.

On revised page 4358, the procedure to accumulate the standard unit of measure for the Occupational Therapy cost center number of treatments states, "count each procedure as one treatment." This statement should read, "count each visit as one treatment."

"Treatments" for both the cost allocation basis and the standard unit of measure relating to the Occupational Therapy cost center should be equated to visits regardless of the number of procedures performed within a particular visit.

Reporting of the number of treatments for the Occupational Therapy cost center, in accordance with the foregoing, will commence with the Annual Medicaid Cost Report (RHCF-4) for the year ended December 31, 1980.

If you should have any questions regarding the foregoing, please contact Mr. Joseph L. Angerami of the Bureau of Residential Health Care Facility Reimbursement at (518) 473-8822.

Very truly yours,

Joanne M. J. Quan
Deputy Director
Division of Health Care Financing

STATE OF NEW YORK
DEPARTMENT OF HEALTH OFFICE OF HEALTH SYSTEMS MANAGEMENT
TOWER BUILDING ● THE GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA ● ALBANY, N.Y. 12237

DAVID AXELROD, M.D.
Commissioner

JOANNE M. J. QUAN
Deputy Director
Division of Health Care Financing

March 23, 1981

Dear Administrator/Comptroller:

As a result of our interaction with the health care industry during the course of conducting technical training seminars relating to the NYS RHCF Manual, the following issues emerged which affect the industry as a whole and, therefore, deserve clarification:

1. In implementing the system, facilities are required to perform time studies of personnel performing more than one function (defined in the Manual) not only to determine the need for reclassifications, but also to provide the basis upon which to perform the necessary reclassifications to attain reporting on a functional basis. Such time studies are not intended to be a review of an individual's performance or efficiency on a particular job, rather they are a means by which uniform reporting of similar functions can be attained on a statewide basis for long term care facilities.

2. In reporting the cost allocation statistics and standard units of measure for the ancillary service "Speech and Hearing Therapy," treatments should be equated to <u>visits</u> rather than the number of modalities performed within a particular visit.

3. It has come to our attention that the Manual's inclusion of the activity of making beds in health related facilities in the "Housekeeping" functional reporting center rather than the "Health Related Facility" functional reporting center may not reflect the actual performance of this function in the majority of residential health care facilities in New York State.

In order to avoid a considerable effort in reclassifying costs for 1980 the results of which may not be reflective of the long term care industry as a whole, you are hereby advised that the cost of performing the function of bedmaking for health related facility patients may remain in the reporting center to which the cost was originally assigned.

In order that we may determine where the function of bedmaking for health related facility patients should most properly be assigned, if your facility has a health related facility program (either as a free standing facility or as part of a multilevel of care facility) please indicate, on the attached sheet, which staff in your facility performs the function of making beds for health related facility patients. The attached sheet should be returned by April 15, 1981 to Mr. Joseph L. Angerami, Principal Health Care Fiscal Analyst, Office of Health Systems Management, Bureau of Residential Health Care Facility Reimbursement, Empire State Plaza, Tower Building, Room 932, Albany, New York 12237. Note that the information provided by all long term care facilities on the attached questionnaire will be used as a basis for determining which functional reporting center should most properly contain the function of bedmaking for health related facility patients for all future periods.

If you should have any questions concerning the foregoing, please contact Mr. Angerami at (518) 473-8822.

Very truly yours,

William J. Gormley

William J. Gormley
Director
Bureau of Residential Health Care
Facility Reimbursement

Attachment

STATE OF NEW YORK
DEPARTMENT OF HEALTH OFFICE OF HEALTH SYSTEMS MANAGEMENT
TOWER BUILDING • THE GOVERNOR NELSON A. ROCKEFELLER EMPIRE STATE PLAZA • ALBANY, N.Y. 12237

DAVID AXELROD, M.D.
Commissioner

JOANNE M. J. QUAN
Deputy Director
Division of Health Care Financin

April 14, 1981

Dear Administrator/Comptroller:

As a result of our continuing interaction with the health care industry, it has come to our attention that facilities are confused by the differences between the reporting requirements of Part II - Financial Data and Part IV - Uniform Report of the RHCF-4 for 1980.

Although Part II and Part IV are similar from the standpoint that both detail revenues and expenses related to residential health care facility operations, they differ in the methods of accumulating and reporting these items. These differences necessitate that each part be completed in a manner consistent with the instructions for that part. As a further clarification, in response to numerous inquiries, Part II financial data is to be completed in a manner consistent with the proper completion of Part II of the 1979 RHCF-1; Part IV - Uniform Report is to be completed in a manner consistent with the instructions and the NYS Residential Health Care Facility Accounting and Reporting Manual.

An illustration of just one of the differences between Part II and Part IV (and its appropriate treatment) relates to the reporting of office supplies. Part IV requires the segregation of office supply expenses according to the cost center using the supplies. However, in Part II, all office supplies are shown as an expense of the Administration and General cost center. Therefore, in Part II, a facility's expense for office supplies (for all cost centers) would be shown under Administration and General (as it was in the 1979 cost report) on page 17 of 36, line 166, and <u>not</u> broken down as an "other" expense by cost center. On Part IV, office supplies would be included under the major group of expenses "Supplies & Materials" for each cost center, on Exhibit H.

In view of the fact that facilities may not have been aware of the above distinctions, and because of the additional requirement to file a full year Part IV for 1980, we are extending the due date of the 1980 report (RHCF-4) to May 15, 1981 for all residential health care facilities.

Questions concerning the accurate completion of Part II - Financial Data or Part IV - Uniform Report should be directed in accordance with Health Facilities Memorandum 81-12, dated 2/25/81.

Very truly yours,

William J. Gormley

William J. Gormley
Director
Bureau of Residential Health Care
Facility Reimbursement