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opening or acquisition, then the reporting period shall begin at official certification date rather than the date of acquisition.

A. When To File

Nursing facilities will report cost on a fiscal year ending June 30. Cost reports will be due within 75 days after the end of the reporting period. Under 16 Bed ICF/MR providers will report cost on a calendar year basis. The cost report will be due within 90 days of the end of the reporting period. The Arkansas Health Center Nursing Facility and the 16 Bed and over ICF/MR providers will report cost semi-annually (January 1 - June 30) and (July 1 - December 31) with the cost reports being due the second Tuesday of February and August. Should the due date fall on a Saturday, Sunday, or State of Arkansas holiday or federal holiday, the due date shall be the following business day. Reports are to be delivered to the Office of Long Term Care or postmarked on or before the applicable due date.

Providers who fail to submit cost reports and other required schedules and information by the due date or extended due date have committed a Class D Violation of Arkansas Code 20-10-205. Civil penalties associated with failure to timely submit a cost report for Long Term Care Facilities are detailed in Section 1-11 of this Manual.

B. Extensions for Filing

If a written request for an extension is received by the Office of Long Term Care ten or more working days in advance of the report due date and a written extension is granted, a penalty will not be applied, provided the extended due date is met. Each request for extension will be considered on its merit. No extension will be granted unless the facility provides written evidence of extenuating circumstances beyond its control, which causes a late report. In no instance will an extension be granted for more than 30 days.

C. What to Submit

In addition to the applicable cost report forms, providers must submit the following:

1. Most recently completed Medicare Cost Report,
2. Working trial balance and related working papers identifying the cost report line each account is included on,
3. Detailed depreciation schedule,
4. Any work papers used to compute adjustments made on the cost report,

C. SNF & ICF - Special Class – Arkansas Health Center Nursing Facility

1. Reimbursement Methodology and Rates Effective July 1, 1983 and Subsequent Years

The Arkansas Health Center Nursing Facility will be reimbursed on an actual cost reimbursement system with provisions for retrospective adjustments to ensure reimbursement of actual allowable and reasonable costs. Per diem rates established by resident level of care shall be changed as a result of adjustments to the semi-annual cost reports resulting from provider corrections, desk reviews, or audits, and will be retrospectively adjusted to the first day of the applicable cost report period.

2. Overpayments/Underpayments

Overpayments/underpayments resulting from Section 1-12 administrative errors shall be handled through the vendor payment by recouping overpayments and reimbursing underpayments.

- H. Cost of specialized rehabilitative services including physical, speech, occupational and mental health, in facilities provided by licensed therapist when such treatment is ordered by a physician. However, these costs will not include the direct cost of services reimbursed by Medicare Part A, Medicare Part B, or other third party payer.”
- I. Utilities. This includes electricity, natural gas, fuel oil, water, wastewater, garbage collection and telephone. The costs of staff personal calls and individualized resident telephone services including long distance are not allowable.
- J. Property and Equipment Expenses. Note: Effective January 12, 2001 the reimbursement methodology for nursing facilities changed to a cost based facility specific rate which included a fair market rental component to reimburse for property and equipment cost in lieu of actual cost and/or lease payments. Allowability (or unallowability) of costs as described below will not affect nursing facility reimbursement rates. Nevertheless, nursing facilities must continue to report costs in the manner described below in order to continue to maintain historic cost records. Actual reimbursement to providers will be made in accordance with the rules established in Section 2-4 A. of this Manual of Cost Reimbursement Rules.
1. Amortization Expense – Costs associated with the origination of a loan allowable under this section will be allowable if amortized over the life of the loan. Costs associated with early retirement of a loan allowable under this section may be allowable. If the amount of the interest plus any unamortized origination fees or prepayment penalties do not exceed the maximum amount of allowable capital interest that would have been allowed had the debt not been paid off, then all of the interest and unamortized costs and other prepayment penalties can be claimed as part of the interest expense for the year. If the unamortized fees and prepayment penalties plus interest exceed the amount that would have been allowed then any excess can be carried forward and claimed for a period of up to five years so long as total interest expense and unamortized fees and prepayment penalties do not exceed the interest amount that would have been allowable under the previous financing arrangement.
 2. Depreciation Expense - Depreciation on the facility's buildings, furniture, equipment, leasehold improvements and land improvements.

Depreciation on capital assets, including assets for normal standby or emergency use in which the facility is the record title holder and which assets are used to provide covered services to Medical Assistance Recipients, will be allowable subject to the following conditions:

- a) Generally accepted accounting principles incorporating the straight-line method of depreciation must be used. Accelerated methods of depreciation are not acceptable. Facilities must follow American Hospital Association Guidelines for Depreciation as the basis for calculation of straight-line depreciation. It is not required to deduct salvage value from the cost of the asset for the purpose of calculating depreciation. Component depreciation for physical structures is not acceptable.

Depreciation expense for the year of acquisition and the year of disposal can be computed by using: (1) the half-year method; or (2) the actual time method.

- b) The method and procedure for computing depreciation must be applied from year-to-year on a consistent basis.
- c) The assets shall be recorded at cost. Cost during the construction of an asset, such as architectural, consulting and legal fees, interest, etc., must be capitalized as a part of the cost of the assets. When an asset is acquired by trade in, the cost of the new asset is the sum of the book value of the old asset and any cash or issuance of debt

- C. Recovery of insured loss.
- D. The cost of the following items should be eliminated. In lieu of determining and eliminating costs, the related income may be used to offset costs.
 - 1. Income from laundry and linen service.
 - 2. Income from employee and guest meals.
 - 3. Income from the sale of drugs to other than residents.
 - 4. Income from the sale of medical and surgical supplies to other than residents.
 - 5. Income from the sale of medical records and abstracts.
 - 6. Income from space rented to employees and others.
 - 7. Payment received from specialists.
 - 8. Payments received from recipients for items not medically necessary to the recipient; i.e., tobacco, soft drinks, personal items, etc.
- E. Rebates and refunds of expenses.
- F. Trade, quantity, time, and other discounts on purchases.

3-5 Special Items to Meet Needs of Residents of ICF's/MR and the Arkansas Health Center Nursing Facility

- A. In addition to those items listed in Section 3-2, the following items will be allowable costs for ICF's/MR and the Arkansas Health Center Nursing Facility:
 - 1. Central medical supplies
 - 2. Dental Services
 - 3. Drugs and pharmacy
 - 4. Medical services, general physician
 - 5. Therapy: physical, occupational, psychiatric, psychological, and speech
 - 6. All training and habilitation services whether provided in-house or through contractual arrangements (i.e. vocational training, sheltered workshop, or day activity center).

7. Actual costs of use of vehicles will be allowable to the extent that such costs meet the criteria set forth in Section 3-2.K.

B. In addition to the items listed above, the following items are allowable costs for the Arkansas Health Center Nursing Facility:

1. Actual costs of ambulance (escort services)
2. EEG and EKG services
3. Externs (residents serving internships)
4. Radiology

3-6 Direct Provider Payment Not Includable in Allowable Expenses

The direct costs of prescription drugs, physician, dental, dentures, podiatry, eye glasses, appliances, x-rays, laboratory, and any other materials or services for which benefits are offered by direct provider payment plans under Medical Assistance or Medicare Part B, CHAMPUS, Blue Cross-Blue Shield, various other insurers or third-party resources are not allowed.

3-7 Charges to Recipients, Relatives, or Recipient Representatives and Solicitations of Contributions from Medicaid Recipients

Facilities must not charge recipients, relatives, or recipient representatives for any item included in this manual as an allowable cost item. No provider participating in this program can solicit contributions, donations, or gifts directly from Medicaid recipients or family members. See 42 U.S.C. 1302a-7b (D), 42 U.S.C. 1396 (a) (g), 42 U.S.C. 447.15, 42 U.S.C. Part 1001, and 42 U.S.C. 1003.102 (b).