



**Division of Medical Services  
Provider Reimbursement**

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**MEMORANDUM**

TO: (X) Nursing Facilities; (X) ICFs/MR 16 Bed & Over; (X) HDCs; (X) ICFs/MR Under 16 Beds; ( ) RCFs; (X) Interested Parties; ( ) Hospitals & Discharge Planners; (X) DHS County Offices

FROM: Roy Jeffus, Director, Division of Medical Services

DATE: January 11, 2008

SUBJ: Point of Care Medication Management System

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The enclosed rule has been filed as final with the Secretary of States Office. Please replace page ii, 3-21, 4-12A, 4-12Aa, 4-19A, 4-20A, 4-20Aa, 4-43A, 4-43Aa, 4-48Aa, 4-49A, 4-49Aa, 4-7B, 4-8B, 4-9B, 4-9Ba, 4-21B, 4-25B, and 4-25Ba, of the Department of Human Services, Medical Assistance Program Manual of Cost Reimbursement Rules For Long Term Care Facilities with the enclosed pages.

If you have any questions please contact Lynn Burton at 682-1875 or Randy Helms at 682-1857.

If you need this material in an alternative format such as large print, please contact our Americans with Disabilities Act Coordinator at (501) 682-1461 (voice), 682-6789 (TDD), or 1-877-708-8191.

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### 3-8 Point of Care Medication Management Software Applications (POCMM)

Effective November 1, 2007 software applications for medication management employing point of care technology is afforded special treatment for cost reporting periods beginning July 1, 2007. Characteristics of point of care technology include software applications installed on medication carts allowing point of care based medication management. The allowable cost of software and associated hardware (used exclusively for this application) required to operate a point of care software application will be treated as direct care cost for cost reporting purposes. All costs associated with the point of care application must continue to meet all allowable cost principles as defined in Chapter 3 including capitalization requirements. Chapter 4-A and Chapter 4-B of the state Manual of Cost Reimbursement Rules for Long Term Care Facilities dated July 1, 1999 include specific instructions on how these costs will be reported on provider cost reports.

Line 1-27, Over-the-Counter Drugs

Cost of over-the-counter drugs provided by the facility to its residents.

Line 1-28, Oxygen

Cost of oxygen and related supplies.

Line 1-29, Medical Supplies - Direct Care

Cost of providing direct medical care. Includes by illustration:

- Single use disposable items and consumable supplies that are used in the course of providing direct medical care to a resident, such as catheters, syringes, sterile dressings, prep supplies, alcohol pads, Betadine solution in bulk, tongue depressors, and cotton balls.
- Pressure relieving devices that cannot be used by more than a single resident or that would be classified as minor equipment.
- Minor medical equipment used in providing direct medical care such as thermometers, sphygmomanometers, stethoscopes, etc.
- Costs of supplies for which Medicare Part B revenue is received must be reclassified to Line 5-11 in Column 2 or removed in Column 5 per Form 5 revenue adjustments.

Cost associated with point of care software applications.

- Cost of operating a point of care software application that does not require capitalization.
- Depreciation of capitalized cost associated with a point of care software application reclassified from Section 3.
- Interest expense associated with a point of care software application reclassified from Section 3.
- Rent expense associated with a point of care software application reclassified from Section 3.

Line 1-30, Therapy Supplies

The cost of supplies used directly by the therapy staff for rendering therapeutic service to the residents of the facility. Costs of therapy supplies for which other third party income is received (Medicare Part A, Medicare Part B, etc.) must be reclassified to Line 5-11 in Column 2 or removed in Column 5 per Form 5 revenue adjustments.

Line 1-31, Raw Food

Cost of food products used to provide meals and snacks to residents.

Line 1-32, Food - Supplements

Cost of food products given in addition to normal meals and snacks under doctor's orders.

Line 1-33, Incontinence Supplies

Cost of incontinence supplies to include both disposable and linen diapers, and disposable underpads.

Line 1-34, Dental (Schedule)

Cost of dentist advisory services (not individual resident specific). All other dental expenses must be reclassified to Line 5-11 in Column 2. A schedule must be attached that details the amount on this line.

For Arkansas Health Center Nursing Facility (AHC), all dental services are allowable.

Line 1-35, Drugs Legend

Cost of prescription drugs are allowable only for AHC. Other nursing facilities must reclassify these costs to Line 5-11 in Column 2.

Line 1-36, Lab and X-Ray

Cost of lab and x-ray services are allowable only for AHC. Other nursing facilities must reclassify these costs to Line 5-11 in Column 2.

3. Form 6, Section 3 Property

Amounts for depreciation, Rent – Building and Rent – Furniture and Equipment must be identified for historical purposes only. A Fair Market Rental Payment is made in lieu of these expenses.

Line 3-01, Amortization Expense - Capital (Schedule)

Legal and other costs incurred when financing the facility should be amortized over the life of the mortgage. Attach a detail amortization schedule for these costs. These costs are not to be included on the Form 7 depreciation schedule.

Line 3-02, Depreciation – Fair Market Rental

Depreciation on the facility's buildings, furniture, equipment, leasehold improvements and land improvements. Items costing \$300 or more will be capitalized.

Depreciation expense associated with point of care software applications must be reclassified to Line 1-29.

Line 3-03, Depreciation – Generator

Depreciation on generators approved by the Office of Long Term Care under Act 1602 of 2001.

Line 3-04, Interest Expense – Fair Market Rental

Interest paid or accrued on notes, mortgages and other loans, the proceeds of which were used to finance the fixed assets or major movable equipment. The total of Line 3-04, Column 6 must agree with the Form 10, Page 3, Totals Column, Line 10.

Interest expense associated with point of care software applications must be reclassified to Line 1-29.

Line 3-05, Interest Expense – Generator

Interest paid or accrued on notes the proceeds of which were used to purchase a generator approved by the Office of Long Term Care under Act 1602 of 2001. The total of Line 3-05, Column 6 must agree with the Form 10, Page 3, Totals Column, Line 11.

Line 3-06, Property Insurance

Cost of fire and casualty insurance on facility buildings and equipment.

Line 3-07, Professional Liability Insurance

Cost of insuring the facility against injury and malpractice claims.

Line 3-08, Property Taxes  
Taxes levied on the facility's land, buildings, furniture and equipment.

Line 3-09, Rent - Building  
Cost of leasing the facility's real property.

Line 3-10, Rent - Furniture and Equipment  
Cost of leasing the facility's furniture, equipment and vehicles.

Rent expense associated with point of care software applications must be reclassified to Line 1-29.

Line 3-11, Total Property  
Line 3-11 is the sum of Line 3-01 through Line 3-10.

4. Form 6, Section 4 Quality Assurance Fee

Cost of the quality assurance fee paid monthly to the Department Human Services.

5. Form 6, Section 5 Non-Allowable Costs

Line 5-01, Advertising  
Costs of unallowable advertising.

Line 5-02, Bad Debts  
Accounts receivable written off as uncollectable.

Line 5-03, Barber and Beauty Expense  
The cost of barber and beauty services provided by non-facility personnel.

Line 5-04, Contributions  
Amounts donated to charitable or other organizations.

Line 5-05, Depreciation Over Straight Line  
Depreciation charged above straight line. Amounts posted to this line should result from reclassifications (Column 2) from Line 3-02. Column 1 should equal zero.

Line 5-06, Income Taxes - State and Federal  
Taxes on net income levied or expected to be levied by the Federal or State government.

Line 5-07, Insurance - Officers  
Cost of unallowable life insurance on officers and key employees of the facility per Section 3-3.T.

Line 5-08, Non-Working Officer's Salaries

Salaries and other compensation paid to non-working officers.

Line 5-09 and 5-10, Nurse Aide Testing and Training

Costs incurred in having nurse aides tested or trained in order to meet OBRA 1987 provisions. This includes both the Medicaid and non-Medicaid portion of the expenses. Example - A nursing facility incurs

617.00	Other Fringe Benefits –Direct Care	Cost of other fringe benefits offered to direct care staff not specifically listed in the categories above. These must be included in the facility’s benefits policy.
618.00	Contract – Aides	Cost of Certified Nurse Aides hired through contract that are not on the facility payroll.
619.00	Contract - LPN’s	Cost of LPN’s and graduate practical nurses hired through contract that are not on facility payroll.
620.00	Contract - RN’s	Cost of RN’s and graduate nurses hired through contract that are not on facility payroll.
621.00	Contract – Occupational Therapists	Cost of occupational therapists hired through contract that are not on the facility payroll.
622.00	Contract - Physical Therapists	Cost of physical therapists hired through contract that are not on facility payroll.
623.00	Contract - Speech Therapists	Cost of speech therapists hired through contract that are not on facility payroll.
624.00	Contract - Other Therapists	Cost of therapists other than occupational, physical, and speech therapists hired through contract that are not facility employees.
625.00	Consultant Fees – Nursing	Fees paid to nursing personnel, not on the facility payroll, for providing advisory and educational services to the facility.
626.00	Training – Direct Care	Cost of training related to resident care for RN’s, LPN’s and Certified Nurse Aides. Also includes travel costs associated with this training. Does not include training cost for Nurse Aide certification.
627.00	Over the Counter Drugs	Cost of over the counter drugs provided to its residents such as pain relievers, cough and cold medications, Rubbing Alcohol, aspirin.
628.00	Oxygen	Cost of oxygen and related supplies.
629.00	Medical Supplies - Direct Care	Cost of providing direct medical care, including single use disposable items and consumable supplies that are used in the course of providing direct medical care to a resident, such as catheters, syringes, sterile dressings, prep supplies, alcohol pads, Betadine solution in bulk, tongue depressors, and cotton balls. Includes minor medical equipment used in providing direct medical care such as thermometers, sphygmomanometers, stethoscopes, etc.
629.10	Medical Supplies – Point of Care	Cost of Point of Care Software Applications that does not require capitalization.
630.00	Therapy Supplies	Cost of supplies used directly by the therapy staff for rendering therapeutic services to the residents of the facility.

631.00	Raw Food	Cost of food products used to provide meals and snacks to residents.
632.00	Food Supplements	Cost of food products given in addition to normal meals and snacks under doctor's orders (Ensure, etc.).
633.00	Incontinence Supplies	Cost of incontinence supplies to include diapers and underpads.
634.00	Dental	Cost of dental services.

- |        |                      |  |
|--------|----------------------|--|
| 807.00 | Health Insurance     | Cost of Employer's contribution to employee Health Insurance.          |
| 808.00 | Group Life Insurance | Cost of Employer's contribution to employee Group Life Insurance Plan. |

UTILITIES

- |        |                          |  |
|--------|--------------------------|--|
| 821.00 | Heating (Fuel)           | Cost of heating oil, natural gas or coal.                                |
| 822.00 | Electricity              | Self-Explanatory.  |
| 823.00 | Water, Sewer and Garbage | Self-Explanatory.  |
| 831.00 | Real Property Taxes      | Amount of taxes levied on the facility's land and buildings.             |
| 832.00 | Personal Property Taxes  | Amounts of taxes levied on the facility's property and equipment.        |
| 833.00 | Insurance - (Property)   | Cost of fire and casualty insurance on facility buildings and equipment. |

COST OF CAPITAL

DEPRECIATION

- |        |                         |   |
|--------|-------------------------|---|
| 841.00 | Land Improvements       | Depreciation on improvements having a limited life made to the land of the facility, (e.g., paving, landscaping).   |
| 842.00 | Building                | Depreciation on the facility's buildings.   |
| 843.00 | Building Improvements   | Depreciation on major additions or improvements to the facility. For example, new laundry or dining room.   |
| 844.00 | Equipment               | Depreciation on items of equipment. For example beds, chairs, floor polishers, office machines, stoves and washing machines.  |
| 844.10 | Point of Care Equipment | Depreciation expense associated with point of care software applications.   |
| 845.00 | Leasehold Improvements  | Depreciation on major additions or improvements to building or plant where the facility is leased and the costs of the changes are incurred by the lessee (tenant). |

RENT

- |        |                         |  |
|--------|-------------------------|--|
| 851.00 | Building                | Rental amounts paid by the facility on all rented or leased real property (land and building). |
| 852.00 | Equipment               | Rental amounts paid by the facility for leased or rental furniture and equipment.              |
| 852.10 | Point of Care Equipment | Rent expense associated with point of care software applications.                              |

INTEREST

- |        |                         |  |
|--------|-------------------------|--|
| 856.00 | Building                | Interest paid or accrued on notes, mortgages and other loans, the proceeds of which were used to purchase the facility's real property. (Land and building). |
| 857.00 | Equipment               | Interest paid or accrued on notes, chattel mortgages and other loans, the proceeds of which were used to purchase the facility's equipment.                  |
| 857.10 | Point of Care Equipment | Interest expense associated with point of care software applications.  |

Line 10, Medical Supplies

Medical supplies furnished by the facility as part of required medical or nursing care, as ordered by a physician.

Cost associated with point of care software applications.

- Cost of operating a point of care software application that does not require capitalization.
- Depreciation of capitalized cost associated with a point of care software application reclassified from Line 26.
- Interest expense associated with a point of care software application reclassified from Line 35.
- Equipment rental associated with a point of care software application reclassified from Line 21.

Line 11, Laboratory

Salaries and supplies, or purchased services.

Line 12, X-Rays

Salaries of technicians and supplies or purchased services.

Line 13, Physical Therapy and Rehabilitation

Salaries and therapeutic supplies for physical therapy, occupation therapy and purchased services.

Line 14, Social Service

Salary or agreement cost of social workers and support staff used on a full or part-time basis to provide social services required and performed by the facility.

Line 15, Resident Activities

Cost of resident activities should include recreational activities and pastoral activities.

Line 16, Volunteer Services

Cost of supporting services and staff functions related to the use of volunteers which are resident related and are for improving resident care.

Line 17, Gift, Flower, Coffee Shop

Costs of non-resident related services. Include beauty and barber shop, etc., on this line. These are non-allowable expenses and no profit or loss should affect the allowable cost; therefore, it is necessary to completely eliminate these items. Expenses listed in Columns 1, 2, and 3 for this line will be adjusted to zero by an entry of the same amount in Column 6. A zero is already shown in Columns 7 and 9 for this item.

Line 18, Personal Purchases for Residents  
Same as policy for Line 17, applies for personal purchases for residents.

Line 19, Oxygen  
Cost of Oxygen, its administration, and related medications.

Line 20, Incontinence  
Cost of supplies.

Line 21, Equipment Rental  
Cost of renting any equipment necessary for resident care.

Rent expense associated with point of care software applications must be reclassified to Line 10.

Line 22, Unassigned.  
(ICF/MR 16 Bed Private; Expense included on this line should meet the criteria for the Administrative and Operating Cost Category)

Line 23, Total Health Care.

3. Maintenance and Operation

Line 24, Housekeeping  
Wages of housekeepers and maids, housecleaning supplies.

Line 25, Plant Operations, Maintenance, and Utilities  
Utilities, repairs, engineers' salaries, handyman wages, contractual repairs, maintenance supplies. Utilities include water, sewer, garbage and waste disposal, electricity, heating fuel, and cable TV.

Line 26, Depreciation and Amortization  
Total straight-line depreciation and amortization. The detail of depreciation and amortization is shown on Form 6. The total of the detailed schedule should agree with the depreciation shown on this line.

Depreciation expense associated with point of care software applications must be reclassified to Line 10.

Line 27, Rent  
Rentals paid for buildings, equipment and land used in the operation of the facility.

Line 28, Real Estate Taxes and Insurance

School taxes, other taxes on land and buildings, capital stock tax, insurance, etc.

Line 29, Unassigned

(ICF/MR 16 Bed Private; Expense included on this line should meet the criteria for the Administrative and Operating Cost Category)

Line 30, Total Maintenance and Operation

4. General Administration

Line 31, Salaries

Administrator's salaries, officers' salaries, and wages of general administrative personnel.

Line 32, Professional Services

Legal fees, outside accounting, data processing, management services, etc.

Line 33, Insurance

Officers' life insurance.

Line 34, Travel and Education

Seminars and educational programs. Any cost related to a particular cost center should be apportioned to that cost center. For example, the travel expense of a nurse should be included in the health care cost center and not with this line.

Line 35, Interest

Interest expense incurred on short-term and long-term loans and mortgages.

Interest expense associated with point of care software applications must be reclassified to Line 10.

Line 36, Other General Administrative Expenses

This line is provided to cover costs for such various general administrative expenses as office supplies, telephone, postage, bank service charges, dues, licenses, subscriptions, advertising, etc. Attach a schedule listing the account names and amounts used for this total.

Line 37, Unassigned

(ICF/MR 16 Bed Private; Expense included on this line should meet the criteria for the Administrative and Operating Cost Category)

Line 38, Total General Administration

5. Other Costs

Line 39, Federal and State Income Taxes

Federal and State Income Taxes (not personal taxes). These are non-allowable expenses and should be adjusted to zero by an entry of the same amount in Column 6. A zero is already shown in Columns 7 and 9 for this item.