

Rule No. 560-X-42-.07 Management and Administrative Costs

(1) Costs of a management or administrative nature, including but not limited to those costs outlined in Rule No. 560-X-42-.07(3), will be reported as such on the Medicaid Cost Report. Salaries of administrative personnel which would duplicate employee salary expenses in other cost centers cannot be allocated to such non-administrative cost centers. Administrative compensation is limited to 10% of net allowable other cost, plus use allowance (if applicable).

(2) Customarily, owner compensation results from a distribution of the profits. However, when the owner provides a necessary service to the facility, and he/she can justifiably be compensated at a reasonable rate, then that owner compensation is an allowed cost. "Reasonable compensation" must meet the criteria of being paid to an employee who performs a necessary function in a facility and must be in an amount which would ordinarily be paid for comparable services in a comparable facility. To be "necessary," a function must be one that if that employee were not performing it, another would have to be employed to do so, and additionally, the function must be directly related to providing ICF/MR/ID services.

(3) Examples of Allowable Management and Administrative Costs include, but are not limited to:

(a) Salaries and Bonuses

1. Administrator
2. Assistant Administrator
3. Accountant
4. Bookkeeper
5. Computer Operator
6. Medical Records Clerk
7. Personnel Officer
8. Secretary
9. Typist
10. Clerks
11. Receptionist
12. Telephone Operator Switchboard

(b) Legal Fees (Legal fees related to resident care, except those specified in Rule No. 560-X-42-.19)

(c) Outside Accounting and Auditing

1. Routine Bookkeeping
2. Preparation of cost reports
3. Auditing and related statements

(d) Data Processing

1. Owned
2. Rented
3. Outside purchased service

(e) Professional Development

(f) Supplies

1. General administration
2. Medical records

- (g) Telephone Expense - Subject to limitations in Rule No. 560-X-42-.19(u).
- (h) License
 - 1. Business
 - 2. Administrator's
- (i) Insurance
 - 1. Professional Malpractice (limited to provisions in HIM-15, 2163.3)
- (j) Employee Benefits - Administrative Employees
 - 1. Group Life
 - 2. Group Health
 - 3. FICA
 - 4. SUI
 - 5. FUTA
 - 6. Deferred Compensation Plans, Pension and Profit Sharing, approved by IRS
 - 7. Workmans Compensation Insurance (Non-State owned and operated facilities)
- (k) Advertising
 - 1. Telephone, local (not in excess of 5 square inches in yellow pages)
 - 2. Employment ads
 - 3. Public Relations ads (not in excess of \$100.00 per fiscal year).
- (l) Postage
- (m) Management Home Office Cost (chain operation)
 - 1. Management and administrative salaries and benefits.
 - 2. All building costs, including but not limited to:
 - (i) Insurance
 - (ii) Rent
 - (iii) Lease
 - (iv) Utilities
 - (v) Depreciation
 - (vi) Interest
- (n) Interest Expense on working capital loans, subject to limitations contained in Rules No. 560-X-42-.08 and 560-X-42-.19(3)(q).
- (o) Management fees not exceeding the cost of the provider of the services and not excluded under Rule No. 560-X-42-.19(3).

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Statutory Authority: State Plan; Title XIX, Social Security Act; 42 C.F.R. Section 447.250-.255.

History: Rule effective October 13, 1988. Effective date of this amendment July 13, 1993.

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