

Medicare Intermediary Manual Part 1 - Fiscal Administration

Department of Health and
Human Services (DHHS)
HEALTH CARE FINANCING
ADMINISTRATION (HCFA)

Transmittal 130

Date: MARCH 27, 2001

CHANGE REQUEST 1393

<u>HEADER SECTION NUMBERS</u>	<u>PAGES TO INSERT</u>	<u>PAGES TO DELETE</u>
Table of Contents – Chapter I 1130 – 1140	1-1 (1 p.) 1-3 – 1-4 (2 pp.)	1-1 (1 p.) 1-3 – 1-4 (2 pp.)
Table of Contents – Chapter II 1201 – 1267 1268 - 1268 1298 – 1299	2-1 – 2-3 (3 pp.) 2-5 – 2-47 (42 pp.) 2-61 (1 p.) ----	2-1 – 2-4 (4 pp.) 2-5 – 2-62 (57 pp.) ---- 2-90 – 2-92 (3 pp.)
Table of Contents – Chapter III 1302.2 – 1399	3-1 – 3-2 (2 pp.) 3-3 – 3-16 (14 pp.)	3-1 – 3.2 (2 pp.) 3-3 – 3-19 (17 pp.)

NEW/REVISED MATERIAL--*EFFECTIVE DATE: Immediately, except as indicated below.*
IMPLEMENTATION DATE: MARCH 27, 2001

Sections 1100–1140, 1200–1267, and 1300–1399 are completely revised and must be reviewed in their entirety. The significant changes are summarized below.

Chapter I, Principles of Reimbursement for Administrative Costs, §§1100-1140.--These sections are revised to update interest rates used in calculating debt due the government and travel payment rates.

Chapter II, Budget Preparation, §§1200-1267.--These sections are revised to reflect the many significant changes in contractor administrative cost reporting over the past several years. The changes also contain requirements for electronic submission of reports via the new Contractor Administrative-Budget and Financial Management System II (CAFM II). The implementation of CAFM II requires reporting by activity rather than by line item or function.

Overhead and General Administrative costs are to be separately reported and allocated to all activities based on the prescribed allocation methodology. The methodology excludes subcontract costs from the cost base.

The Medicare contractor (servicing contractor) providing services to other Medicare contractors is to report costs as subcontract costs rather than charged to each cost item.

Productivity investment costs must be fully allocated including any appropriate overhead. Medicare contractors are required to submit a crosswalk and rationale from incremental to full costing of PI projects. **Section 1213.6 is effective will all budget and cost reporting for fiscal year (FY) 2002. See draft instructions issued June 4, 1998, for instructions to follow through FY 2001.**

Minimum documentation requirements for supplemental budget requests have been added.

Chapter II, Budget Preparation, §§1298-1299.--These sections have been deleted from the Fiscal Administration Manual.

Chapter III, Budget Execution, §§1300-1399.--These sections are revised to conform with the changes noted in Chapter II.

The Cost Classification Report has been expanded.

Standard questions previously included in the Budget and Performance Requirements Financial Information Survey (FIS) have been manualized. The FIS also includes selected information previously reported on the Facilities and Occupancy Schedule.

Administrative Funds Drawn are now reported on the Interim Expenditure Report (IER) and not reported on the Form HCFA-1521. While costs and workloads reported on the IER are cumulative, draws are non-cumulative and are for the reporting month only.

The variance parameters have been moved to CAFM II from the manual. The Final Administrative Cost Proposal to Notice of Budget Approval variance has been eliminated.

These instructions should be implemented within your current operating budget.

CHAPTER I
PRINCIPLES OF REIMBURSEMENT FOR ADMINISTRATIVE COSTS

<u>General</u>	<u>Section</u>
General.....	1100
<u>Rates</u>	
Interest Rates in Calculating Debt Due to the Government.....	1110
Travel Costs	1120
Calculating Return on Investment Where the Contractor's Year for Insurance Commission Filing Differs From the Medicare Contract Year	1130
Cost of Project Exceeds Estimates.....	1140

1100. GENERAL

The principles for determining allowable administrative costs are listed in Chapter 31 of the Federal Acquisition Regulation (FAR), as codified in Title 48 of the Code of Federal Regulations (CFR), along with the contract as interpreted and modified in Appendix B. Costs will be allocated separately by program management (PM) and Medicare integrity program (MIP) functions and activities.

Notice is hereby given to all Medicare contractors that on-going operations and projects should be completed at or under budget. If a contractor exceeds either its PM or its MIP budget, the U.S. Government will be under no obligation to fund the cost overrun except in strict accordance with the Medicare contract/agreement. Contractors are required to provide HCFA timely notice of at least 60 days prior to the date funds are exhausted, along with a fully documented and justified Supplemental Budget Request that provides HCFA time to analyze and recommend action to avoid the projected cost overrun. In your assessment of when funds will be exhausted, PM and MIP must be evaluated separately. (See §1256.)

1110. INTEREST RATES IN CALCULATING DEBT DUE TO THE GOVERNMENT

Notice of interest rates for debts due the government pursuant to Federal debt collection procedures in the Prompt Payment Act are supplied to contractors by HCFA for each rate period and as published in the *Federal Register*. Do not confuse these rates with those for overpayment or underpayment determinations established under §117 of the Tax Equity and Fiscal Responsibility Act.

1120. TRAVEL COSTS

Travel costs are generally limited to the rates as set forth in the Federal Travel Regulations (FTR). See FAR 31.205-46 for complete information, limitations, and exceptions. The FTR per diem limits from January 1995 to present can be found at the GSA website: www.policyworks.gov under the Office of Governmentwide Policy. Only the most current mileage rate for use of privately owned automobiles is included on this website. Mileage rates for prior periods are listed below:

<u>Period</u>	<u>Rate</u>
September 17, 1989 to June 29, 1991	24 cents per mile
June 30, 1991 to December 31, 1995	25 cents per mile
January 1, 1995 to June 6, 1996	30 cents per mile
June 7, 1996 to January 13, 2000	31 cents per mile
January 14, 2000	32 cents per mile

1130. CALCULATING RETURN ON INVESTMENT WHERE THE CONTRACTOR'S YEAR FOR INSURANCE COMMISSION FILING DIFFERS FROM THE MEDICARE CONTRACT YEAR

Compute the rate of return on investment in accordance with Appendix B of the contract/agreement. If your accounting year is different from your Medicare contract year, the following weighted average calculation is recommended:

Assumption: Rate of return for October 1, 1998, to December 31, 1998, is 10 percent.
Rate of return for January 1, 1999, to September 30, 1999, is 8 percent.

Calculation of weighted average:

$$10 \text{ (Percent)} \times 3 \text{ (months)} = 30\%$$

$$8 \text{ (Percent)} \times 9 \text{ (months)} = \underline{72\%}$$

$$\text{Total } \underline{102\%}$$

$$102\% \div 12 \text{ (months)} = 8.5\% \text{ (weighted average)}$$

1140. COST OF PROJECT EXCEEDS ESTIMATES

Contractors are expected to complete productivity investment projects at, or under budget. In some cases (e.g., large consolidations) it may be appropriate for the regional office (RO) to negotiate a **Memorandum of Advance Agreement which sets out the statement of work and sets an upper limit for allowable costs.**

CHAPTER II
BUDGET PREPARATION

<u>General</u>	<u>Section</u>
General.....	1200
Budget Forms Supply.....	1200.1
The Budget Cycle.....	1201
Role of the Regional Offices (ROs).....	1202
Introduction of Activity Level Budget and Cost Reporting.....	1203
General CAFM II System Information.....	1204
Budget and Cost Reports	1204.1
List of Acronyms	1205
 <u>Administrative Budget and Cost Report</u> 	
Exhibit of Administrative Budget and Cost Report – Activity Form.....	1210
Completing the Administrative Budget and Cost Report – Activity Form.....	1211
Explanation of Entries on the Activity Form.....	1212
Title and Use	1212.1
Contractor Number	1212.2
Contractor Name.....	1212.3
Activity Code	1212.4
Funding FY.....	1212.5
Reporting FY	1212.6
Report Month.....	1212.7
Acceptance Date	1212.8
Cost Categories	1212.9
Allocation of Overhead and General and Administrative Costs.....	1212.10
Description of Operations	1213
Bills Payment Function (Summary Level Code 11000).....	1213.1
Appeals Function (Summary Level Code 12000).....	1213.2
Inquiries Function (Summary Level Codes 13000 and 33000).....	1213.3
PM-Provider Education and Training Function (PET) (Summary Level Code 14000).....	1213.4
Provider Reimbursement Function (Summary Level Code 16000).....	1213.5
Productivity Investments (PI) Function (Summary Level Code 17000).....	1213.6
Medicare Program Administration Function (Summary Level Code 19000).....	1213.7
Medical Review (MR) Function (Summary Level Code 21000).....	1213.8
Medicare Secondary Payer (MSP) Function (Summary Level Code 22000).....	1213.9
Benefit Integrity (BI) Function (Summary Level Code 23000).....	1213.10
MIP-Provider Education and Training (PET) Function (Summary Level Code 24000).....	1213.11
Audit Function (Summary Level Code 26000).....	1213.12
MIP-Productivity Investments Function (Summary Level Code 27000).....	1213.13
MIP-Medicare Program Administration (Summary Level Code 29000).....	1213.14
 <u>Supporting Schedules</u> 	
Exhibit of Special Projects Form.....	1214
Completing the Special Projects Form.....	1214.1
Exhibit of Schedule of Other Direct Costs (Schedule A)	1215
Completing the Schedule of Other Direct Costs (Schedule A).....	1215.1
Exhibit of Schedule of Other Costs (Schedule B)	1216
Completing the Schedule of Other Costs (Schedule B).....	1216.1

CHAPTER II
BUDGET PREPARATION

	<u>Section</u>
Exhibit of Schedule of Non-COB Credits (Schedule C)	1217
Completing the Schedule of Non-COB Credits (Schedule C).....	1217.1
Exhibit of Schedule of Other Adjustments (Schedule D).....	1218
Completing the Schedule of Other Adjustments (Schedule D)	1218.1
Exhibit of Miscellaneous Cost Schedule	1219
Completing the Miscellaneous Cost Schedule.....	1219.1
<u>Cost Classification Report (CCR)</u>	
Exhibit of Cost Classification Report, Form HCFA-2580	1220
Completing the Cost Classification Report, Form HCFA-2580.....	1221
Column A.....	1221.1
Column B.....	1221.2
Column C.....	1221.3
Column D.....	1221.4
Cost Classification Categories	1221.5
Total.....	1221.6
Pension Costs	1221.7
Remarks	1221.8
Exhibit of Certification Form.....	1222
Completing the Certification Form.....	1222.1
<u>Budget Preparation Schedules</u>	
Exhibit of Schedule of Net Hours Available, Form HCFA-3258.....	1223
Completing the Schedule of Net Hours Available.....	1223.1
Contractors Performing Services for Other Medicare Contractors.....	1230
Servicing Contractor.....	1230.1
Receiving Contractor	1230.2
Budget Justification.....	1240
<u>Budget Request (BR)</u>	
Completing the Budget Request	1255
Transmittal.....	1255.1
Hard Copy Requirements.....	1255.2
Activities	1255.3
Hours.....	1255.4
Costs.....	1255.5
Workload.....	1255.6
Net Hours Available (Miscellaneous Section).....	1255.7
Narrative and Financial Analysis Requirements.....	1255.8
Financial Information Survey.....	1255.9
<u>Supplemental Budget Requests (SBR)</u>	
Additional Instructions Pertaining to Supplemental Budget Requests (SBRs).....	1256
<u>Notice of Budget Approval (NOBA)</u>	
The Notice of Budget Approval (NOBA).....	1261
End of FY NOBA	1261.1

CHAPTER II
BUDGET PREPARATION

	<u>Section</u>
Cumulative Quarterly Distribution.....	1261.2
Certifying Official.....	1261.3
<u>Budget Distribution (BD)</u>	
Exhibit of Budget Distribution Form.....	1265
Completing the Budget Distribution (BD).....	1265.1
<u>Budget Preparation Checklist</u>	
Budget Preparation Check List for Program Management and Medicare Integrity Program.....	1267
<u>Contractor Auditing and Settlement Report – Form HCFA 1525A</u>	
Exhibit of Contractors Auditing and Settlement Reports – Form HCFA 1525A.....	1268
Completing the Contractor Auditing and Settlement Report (CASR) - Form HCFA-1525A.....	1269
Transmittal.....	1269.1
Explanation of line items on Form HCFA-1525A.....	1269.2
Exhibit of Audit Selection Criteria Report	1270
Completing the Audit Selection Criteria Report (ASCR).....	1271
Audit Selection Priorities.....	1271.1
Level of Audit Effort.....	1271.2
Exhibit of Provider Reimbursement Profile – Form HCFA-1531.....	1272
Provider Reimbursement Profile (PRP) – Form HCFA-1531	1273
Introduction.....	1273.1
General Instructions	1273.2
Completing the Provider Reimbursement Profile.....	1273.3
Exhibit of Schedule of Providers Serviced – Form HCFA-1531A.....	1274
Instructions for Using the System for Tracking Audit and Reimbursement	1275
Instructions for Using the Contractor Auditing and Settlement (CASR) Subsystem.....	1276

1200. GENERAL

The Secretary is authorized to make funds available for administrative costs related to the functions you perform as stipulated in the contract/agreement under the provisions of title XVIII of the Social Security Act. Funds available for this purpose are in the DHHS Appropriation Act. These funds are provided for a fiscal year (FY) beginning October 1. They are not available for obligation and expenditure until released by the Office of Management and Budget in an apportionment that is made on a quarterly basis to preclude an expenditure rate that exceeds the appropriation. Medicare administrative funds will be requested separately for program management (PM) and Medicare Integrity Program (MIP). Report this on HCFA's activity level budget and cost reporting system - Contractor Administrative-Budget and Financial Management System (CAFM II).

The Anti-Deficiency Act, 31 USC 1341, provides that no government official or employee may authorize or create an obligation, or make or cause to make an expenditure in excess of an apportionment of appropriated funds. To enforce this prohibition, the Act requires administrative discipline of government officials and employees who inadvertently exceed their authority, and criminal penalties for those who do so knowingly and willfully.

In order for the Secretary to ensure that adequate funds are available and trust funds are efficiently used for the administration of the Federal Health Insurance Program, submit an estimate of administrative costs that are anticipated for the ensuing FY. Predicate the annual budget on the budget and performance requirements (BPRs) issued by HCFA and on your previous Medicare cost and productivity experience. Consider unusual or non-recurring type activities that could be part of the historical cost data.

The Secretary will pay contractors for necessary and proper costs of administration as determined by the Principles of Reimbursement in Appendix B of the contract/agreement. The amount of the settlement is subject to audit. Thus, the inclusion of funds in an approved budget or in a subsequent cost statement does not constitute a final determination as to the allowability of such costs. However, it is intended that a mutual agreement on the estimate will facilitate fiscal planning by both you and HCFA, and provide a basis for common understanding for determining administrative costs.

The Secretary may also enter into fixed price or other non-cost related agreements. The instructions that follow do not pertain to non-cost related agreements, unless specifically designated in the individual contract.

1200.1 Budget Forms Supply.--Copies of all forms referred to in the ensuing sections can be obtained from the CAFM II System.

1201. THE BUDGET CYCLE

The following annual budget calendar establishes approximate target dates for each phase of the budget cycle to insure an orderly workflow during the planning, preparation, and review of budgets. This calendar may be supplemented and revised in the annual BPRs letter.

- Submit workload estimates (if requested) - February/March.
- BPRs transmitted to you - May/June. (Included in the BPRs is information relative to statement of work, level of effort, program emphases, new program developments and specific recommendations regarding activities of individual contractors.)
- Submit budget requests (BRs) - June/July.

- Negotiations - July through September. Negotiations proceed directly between you and the RO. The RO reaches agreement with you in regard to date, time, and location for negotiations. Conduct negotiations by telephone, correspondence, on-site visits or at the RO.
- Notice of Budget Approvals (NOBA) sent to you - September/October. In the absence of a NOBA, a continuing resolution letter will provide interim funding.
- Budget distribution - 30 days after you receive your initial annual NOBA.
- Budget distribution approval - 30 days after distribution is received by the RO.

To aid you in your preparation and timely submission of required budget preparation reports, see §1267 for a checklist of the due dates and material to submit.

1202. ROLE OF THE REGIONAL OFFICES (ROs)

The ROs have the responsibility of negotiating and approving contractor budgets. The Office of Financial Management has the authority to negotiate and approve budgets for the Blue Cross/Blue Shield Association.

1203. INTRODUCTION OF ACTIVITY LEVEL BUDGET AND COST REPORTING

Costs are allocated and reported separately by PM and MIP functions and activities. Contractors and HCFA are not allowed to co-mingle the PM and MIP funding that is appropriated separately by Congress. PM provides funding for claims processing functions, and MIP provides funding for payment safeguard functions. A function is a unique operation, which is separately identifiable, such as Bills Payment or Appeals. An activity is defined as a subcategory of a Medicare function. The activities available to a contractor may vary depending upon the functions performed by that contractor. A listing of activities is available within the CAFM II reporting system utilized for Medicare contractor budget and cost reporting.

1204. GENERAL CAFM II SYSTEM INFORMATION

CAFM II is an integrated, mainframe based software system utilized by HCFA for the budget, cost, and funds disbursement reporting requirements for both local contractors operating under the terms of the current Medicare contract and those contractors operating under a standard government contract generally pursuant to a solicitation.

1204.1 Budget and Cost Reports.-- The same multi-purpose format is used for the BR, the supplemental budget request (SBR), the Interim Expenditure Report (IER), and the final administrative cost proposal (FACP). The NOBA will be issued on a FY basis, and will provide a cumulative, quarterly distribution of the budgeted funds. Funds will be drawn, via Smartlink, in line with anticipated expenses not to exceed the cumulative, quarterly distribution on the NOBA.

CAFM II requires contractors to identify and report costs on an activity level basis with detailed cost reporting and will sum these costs by function. The system will then generate a separate PM and/or MIP budget that the contractor will certify for accuracy of costs requested. The CAFM II User Manual contains instructions for accessing and inputting data into CAFM II and §§1212 and 1213 of this manual contain general instructions for completing the screens.

1205. LIST OF ACRONYMS

The following are acronyms that are used frequently throughout the Budget Preparation chapter:

ABCR	Administrative Budget and Cost Report
ALJ	Administrative Law Judge
BD	Budget Distribution
BI	Benefits Integrity
BPRs	Budget and Performance Requirements
BR	Budget Request
CAFM II	Contractor Administrative-Budget and Financial Management System
CASR	Contractor Auditing and Settlement Report
CCR	Cost Classification Report
CFR	Code of Federal Regulations
CO	Central Office
COB	Coordination of Benefits
CROWD	Contractor Reporting of Operational and Workload Data
CWF	Common Working File
EDP	Electronic Data Processing
EMC	Electronic Media Claims
FACP	Final Administrative Cost Proposal
FAR	Federal Acquisition Regulations
FM	Facilities Management
FY	Fiscal Year
G&A	General and Administrative
HCFA	Health Care Financing Administration
IER	Interim Expenditure Report
PM	Program Management
MR	Medical Review
MIP	Medicare Integrity Program
MSP	Medicare Secondary Payer
NOBA	Notice of Budget Approval
OIG	Office of Inspector General
PET	Provider Education and Training
PI	Productivity Investment
PRRB	Provider Reimbursement Review Board
RO	Regional Office
ROI	Return on Investment
SBR	Supplemental Budget Request
UPIN	Unique Physician Identification Number

1210. EXHIBIT OF ADMINISTRATIVE BUDGET AND COST REPORT - ACTIVITY FORM

CONTRACTOR NAME	ADMINISTRATIVE BUDGET AND COST REPORT				IER	ACTIVITY	
ADDRESS LINE 1	MEDICARE CONTRACTORS				EIN: XXXXXXXXXXXXX		
ADDRESS LINE 2	INTERIM EXPENDITURE REPORT				ACCEPT DATE:		
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH:	SUPPLE NO:		
#####	X	XXXX	XXXX	XX	XX	CAFM II	
ACTIVITY	CODE: XXXXX	DESCRIPTION: XXX					

<u>COST ITEM</u>	<u>TOTAL ACTIVITY COST</u>
(A)	(B)

SALARIES/WAGES	_____
FRINGE BENEFITS	_____
EDP EQUIPMENT	_____
SUBCONTRACTS	_____
OTHER DIRECT COSTS (SEE SCHEDULE A)	_____
OTHER COSTS (SEE SCHEDULE B)	_____
NON-COB CREDITS (SEE SCHEDULE C)	_____
OVERHEAD	_____
G&A	_____
FEES/PROFIT	_____
TOTAL COST	_____
OTHER ADJUSTMENTS (SEE SCHEDULE D)	_____
FORWARD FUNDING	_____
TOTAL ADJUSTED COST	_____

WORKLOAD	
WORKLOAD 1	_____
WORKLOAD 2	_____
WORKLOAD 3	_____
HOURS	
DIRECT	_____
INDIRECT	_____
SUBCONTRACTS	_____
OVERHEAD/G&A	_____

REMARKS: _____

1211. COMPLETING THE ADMINISTRATIVE BUDGET AND COST REPORT – ACTIVITY FORM

A. General--The Administrative Budget and Cost Report (ABCR) is intended for multiple-use. It is used for the following specific annual, periodic, and monthly reports you submit.

- Budget Request (BR). See §1255; S
- Supplemental Budget Request (SBR). See §1256;
- Interim Expenditure Report (IER). See §1321; and
- Final Administrative Cost Proposal (FACP). See §1361.

For all of these uses, funding and costs are reported separately by PM and MIP functions and activities. Funding and costs for PM and MIP must be kept separate and may not be co-mingled.

Transmit the ABCR form for all budget reports electronically using the CAFM II System. See §§1267 and 1399 for due dates.

B. Identification of Costs--The ABCR identifies activities within each Medicare function. For each activity, the following costs are separately identified: salaries and wages, fringe benefits, Electronic Data Processing (EDP) equipment, other direct costs, other costs, non-Coordination of Benefits (COB) credits, overhead, general & administrative (G&A), fee/profit, total cost, other adjustments, forward funding, and total adjusted cost. Each Activity Screen also identifies up to three discrete workloads and direct, indirect, subcontract, and overhead/G&A hours.

Separately identify costs in the BR, IER, and FACP pending a determination of allowability by HCFA. Identify these costs in the remarks section.

The principles for determining allowable administrative costs are in Chapter 31 of the Federal Acquisition Regulations (FAR), as codified in Title 48, and in the contract/agreement. In accordance with the FAR, costs are directly charged, where it is possible to do so, and are allocated where it is not. Costs are assigned to various Medicare activities on this basis.

The identification of unallowable costs is in §1523. Treat them as follows:

- Do not include costs that the Secretary has determined to be unallowable or that you and HCFA have mutually agreed are not allowable; and
- Separately identify costs in the BR, IER, and FACP that have been previously withheld by HCFA pending a final determination of allowability. Identify these costs in the Remarks section.

NOTE: Round all cost entries to the nearest hundred dollars in the BR and SBR.

1212. EXPLANATION OF ENTRIES ON THE ACTIVITY FORM

1212.1 Title and Use--The title of the report, ABCR, and the use, i.e., BR, SBR, IER, or FACP.

1212.2 Contractor Number--The five digit Medicare number assigned.

1212.3 Contractor Name--Your organization's official name.

1212.4 Activity Code--A 5-digit code identifying each activity. A listing of codes is available within CAFM II. The first digit of an activity code identifies the activity as a PM

activity (odd numbers) or a MIP activity (even numbers). The second digit identifies the Medicare function, e.g., bills processing, appeals, etc. The last three digits refer to the specific activity or project within each function.

1212.5 Funding FY--The FY for which funds are requested or to which costs are being reported.

1212.6 Reporting FY--The FY during which the funds are requested or during which costs are being reported.

1212.7 Report Month--The calendar month during which costs are being reported.

1212.8 Acceptance Date--The date CAFM II accepts the report.

1212.9 Cost Categories--Report costs as defined below unless defined differently in your contract.

A. Salaries/Wages--Include salaries, wages, bonuses, and incentive compensation payments to directors, officers, and employees. Include charges made by agencies furnishing temporary help and premium pay for time worked; overtime premium including premium for Saturdays, Sundays, and holidays; and shift premiums. Include pay for time not worked, i.e., rest periods, lunch periods, jury, and voting allowance. Include vacations, sick leave, holidays, and military leave. Report salaries and wages in accordance with the FAR 52.216-7(b). Report fringe benefits on the fringe benefit line. Include all employees' salaries and wages except as noted in §§1212.9H (Overhead), 1212.9I (General and Administrative), and 1212.9P (Hours-Direct, Indirect, Subcontracts, and Overhead /G&A - Exception).

B. Fringe Benefits--Include payments made to, or for the benefit of, employees over and above normal salaries and wages. For example, contributions to employee insurance and pension plans, post retirement benefits other than pensions, payroll taxes, supplemental unemployment benefit plans, death benefits, and separation pay allowances. Include such costs for all employees except as noted in §§1212.9H (Overhead), 1212.9I (General and Administrative), and 1212.9P (Hours-Direct, Indirect, Subcontracts, and Overhead/G&A - Exception).

C. EDP Equipment--Include rental/leases, depreciation, or the cost of maintenance and repairs, insurance (if separately identifiable), systems software charges, personal property taxes, and use charges. Include costs of mainframe and mainframe peripherals, personal computers, local area networks (LAN), imaging equipment, printers, optical discs, optical character recognition (OCR) equipment, and lap top computers. Report facilities management (FM) subcontracts under subcontracts.

D. Subcontracts--Include all subcontract costs such as those involving computer operations, EDP software, data entry, and provider auditing which require notification per the Medicare agreement. In addition, include subcontracts in excess of \$25,000 for services related to all functions and duties whether approval is required or not. Exclude services for janitorial, cafeteria, maintenance and other subcontracts such as leases and rentals (see Other Direct Costs). Exclude EDP equipment subcontracts which are charged to EDP equipment but include FM subcontracts and shared processing arrangements.

E. Other Direct Costs--Include all other costs not included in the categories described above. This includes, but is not limited to: leases for space and equipment, depreciation for company owned space and equipment (except EDP equipment), return on investment, taxes (except personnel taxes reported in fringe benefits), insurance (other than that reported in fringe benefits or EDP equipment), dues to professional, trade, and business associations, net food service costs (cafeteria and subsidized

eating facilities), travel, communications, postage, office supplies, material, Medical Review consultants and other consultants under \$25,000, printing costs excluding equipment, and general maintenance, janitorial and security activities.

F. Other Costs-- Use only with the concurrence of HCFA. Most contractors are not required to use this category. This category may include other indirect costs, excluding overhead and general and administrative costs that a contractor might propose.

G. Non-COB Credits-- Include the applicable portion of any income, rebate, allowance, or other credits related to total operations. Do not report COB credits in this category (See §1222, Certification Form.)

H. Overhead--Include all personal and non-personal service costs related to service departments and financial, accounting, and statistical activities as described below.

1. Service Departments--Include all data related solely to the following service areas which support other operations:

- Personnel--Recruiting, testing, hiring, orientation, centralized training staff, maintaining employment files, administration of employee services such as library, recreation unit, cafeteria, health unit, and employee publications.
- Methods and Procedures--Review and analysis of manual (non-EDP) systems.
- Storeroom--Receipt, maintenance, and issuance of materials and supplies. Do not include the cost of the materials or supplies. They are included in the areas where used.
- Printing and Duplication--To the extent possible, distribute the costs related to printing to the appropriate line item responsible for the end product.
- Purchasing--If a separate unit, include all activities related to procurement of materials, supplies, furniture, equipment, and services. This involves only the purchasing activity, not the cost of the purchases.
- Switchboard--If a separate centralized unit, do not include the costs of telephone service identified with other operations.
- Mailroom and Interoffice Messengers--Include the cost and other data related to the activity, unless they can be directly assigned to specific lines. Include the cost of activities such as incoming (receipt, open, sort, batch, and deliver) as well as outgoing mail. Do not include the cost of postage identified with other operations.
- Word Processing Centers.

2. Financial, Accounting, and Statistical Departments--Includes accounting for and control of benefits, record keeping, and other fiscal tasks.

• Accounting for and Control of Benefits--Include benefit disbursements, reissued checks, bank reconciliations, postpayment review of benefit disbursements for internal control purposes, and overpayment recoupments relating to individual billings.

- Record Keeping Tasks--Include general and cost accounting, payroll, inventories (financial, not bills), and receipt of other funds, maintenance of petty cash, and other non-benefit-related disbursements.

- Other Fiscal Tasks--Include budget preparation and cost reporting, internal fiscal audits, company wide audit by CPA firms, and statistics maintained and reports prepared in this operation, and external audit liaison with the OIG and GAO.

3. Legal--General corporate legal costs allowable and allocable to Medicare, excluding provider cost report appeals, and other activities directly identifiable to other operations (e.g., reconsiderations and hearings).

I. General and Administrative--Include total cost allocated to Medicare for the following:

1. General Management--Individuals responsible for overall corporate or Medicare matters. Prorate the cost of individuals responsible for more than one operation, but not responsible for overall corporate or Medicare matters to the operations for which they are responsible. Charge the Medicare Coordinator (the person responsible for the overall Medicare operation) to General and Administrative.

2. Contractor Operations Specialist--Include the cost of contractor operations specialists, HCFA on-site representatives, including the cost of services and space furnished to HCFA.

J. Fee/Profit--Include only if allowed by contract/agreement, but only when payable from the Government. (Also see Other Adjustments below.)

K. Total Cost--The sum of A-J above. Total cost excludes those accruals included in Other Adjustments and Forward Funding, as defined below.

L. Other Adjustments--Include items for which reimbursement is not yet due per 48 CFR 52.216-7(b), but which should be accrued to the period being reported. For example, include subcontract costs for which services have been received, but payment has not been made to the subcontractor or fees which have been earned (non-COB credits and fee/profit), but for which payment is not payable by HCFA. HCFA will provide guidance as to which activity to report for fee/profit.

M. Forward Funding--Include the outstanding costs to be incurred for HCFA-approved items for which funding has been received, but the services extend into the subsequent FY. As costs are incurred, these costs should be reported in A through J thus reducing the forward funding balance. This category is not applicable to the budget request. If HCFA has approved projects for forward funding, then costs must be reported on the September IER and the FACP.

N. Total Adjusted Cost--The sum of K through M above. See Note in §1361 for instructions for administrative draws.

O. Workloads 1-2-3--Some activities may not have discrete workloads; other activities may have several workloads and some only one workload. Do not fill in unless directed by HCFA. Workloads for bills, inquiries, and appeals will be prefilled from workload reporting data drawn from Contractor Reporting of Operational and Workload Data (CROWD) reports. Other workloads will be input by the contractor as directed by HCFA. See §1213 for specific workloads to report.

P. Hours-Direct, Indirect, Subcontracts, and Overhead/G&A .--Separately identify productive hours associated with salaries and wages and overhead/G&A. Compute estimated hours per employee in accordance with the Schedule of Net Hours Available, Form HCFA-3258. (See §1223.) Round net productive hours to the nearest hour. Use Indirect and Subcontracts Hours only with the concurrence of HCFA.

Include hours directly assigned or otherwise allocated to a particular activity during the FY. Include or exclude, as appropriate, personnel hours loaned and borrowed by each operation. Include hours incurred by temporary help furnished by outside organizations. For this reporting requirement, temporary help must meet all the following criteria:

- Directly supervised by your personnel;
- Services performed on your premises;
- Used for limited time periods; and
- Obtained from an outside agency.

Distinguish between temporary help and certain types of subcontractors, such as data entry, where the services are used as an interim measure to alleviate peak period workloads. Subcontract personnel provide a product or service, but do not meet the criteria for temporary help. Examples of subcontractors are: programmers who contract to provide software, but are not under direct control of your personnel, and clerical personnel working offsite.

EXCEPTION: Do not report hours for employees assigned to general maintenance, janitorial and security activities as they relate to your facility's upkeep and protection. Include related personal service costs (salaries, wages, and fringe benefits) as part of Other Direct Costs.

1212.10 Allocation of Overhead and General and Administrative Costs.--Allocate overhead and general and administrative costs to all activities. These allocations should be based on the ratio of each activity's total costs to the sum of all activity costs. Included in costs are salaries and wages, fringe benefits, EDP Equipment, other direct costs, other costs (if applicable), and non-COB credits. Exclude subcontract costs from the calculation.

For example, a contractor only performs a bills payment activity and an appeals activity. The Total Costs prior to "other adjustments" of salaries and wages, fringe benefits, EDP equipment, other direct costs, other costs, and non-COB credits equals \$1,000,000 for the Bills Payment and the subcontract cost is \$100,000. The same costs for appeals are \$250,000 and \$25,000. Overhead for this period totaled \$75,000 and general and administrative (G&A) totaled \$25,000.

	<u>Salaries & Wages, etc.</u>	<u>Overhead Allocated</u>	<u>Percent Allocated</u>	<u>G&A Allocated</u>	<u>Percent Allocated</u>	<u>Subcontracts</u>	<u>Total Cost</u>
Bills Payment	\$1,000,000	\$60,000	80%	\$20,000	80%	\$100,000	\$1,180,000
Appeals	250,000	15,000	20%	5,000	20%	25,000	295,000
Total Cost	\$1,250,000	\$75,000	100%	\$25,000	100%	\$125,000	\$1,475,000

In this example, 80 percent of the overhead and 80 percent of the general and administrative costs were allocated to Bills Payment because salaries & wages, etc. are that percentage of the basis. Subcontract costs, other adjustments and forward funding are not considered in this allocation.

1213. DESCRIPTION OF OPERATIONS

The following provides short descriptions of each function. Operations are first separated into PM or MIP and then by function into activities. Each function may include multiple activities. A list of activity codes is available in CAFM II. Always refer to the General Instructions and/or the BPRs for the most current description of the activities for each function.

Once operational costs are segregated into PM or MIP, activities may be reported as either:

- An operational functional activity;
- A PI activity; or
- A special project activity.

In addition, as directed by HCFA, certain specific costs must be identified and accumulated from one or more of the activities and reported a second time for informational purposes on the Miscellaneous Schedule. (See §1219.1.)

After the appropriate activity is selected, cost items are reported in categories on the Activity Form in CAFM II. See §1212.9 for a description of cost categories. Each activity includes the usual direct and indirect charges associated with it. When staff personnel have more than one area of responsibility, allocate their time and cost equitably to the operations involved.

A variety of notification methods will be used to update required cost reporting (i.e., CAFM II "News," the BPRs, and other performance instructions). CAFM II will have a current list of updated activities, including additions or changes in the PI activities, special project activities, functional activities, and informational reporting on the Miscellaneous Schedule.

1213.1 Bills Payment Function (Summary Level Code 11000).--The Bills Payment function includes the costs and workload(s) associated with processing Medicare bills. The activities included in this function range from provider enrollment, the receipt of initial bills to the production of check or EFT payment and remittance advice and Medicare Summary Notice. This function also includes the costs for the common working file host and the UPIN Registry.

1213.2 Appeals Function (Summary Level Code 12000).--The appeals function includes the costs and workload(s) to efficiently and effectively control and respond to requests for appeal of Medicare determinations. This includes all Part A reconsiderations and ALJ hearings processed and all activities related to the Part B review and hearing process. The costs of provider appeals related to cost report settlements should be included as part of the Provider Settlements activity in the Audit function.

1213.3 Inquiries Function (Summary Level Codes 13000 and 33000).--The inquiries function includes the costs and workload(s) associated with inquiries including Medicare customer service or billing inquiries from beneficiaries or providers by telephone, correspondence, walk-in or on-line inquiry. The costs of inquiries received in the Medical Review (MR), Medicare Secondary Payer (MSP), and Benefit Integrity (BI) departments should be charged to those activities.

1213.4 PM - Provider Education and Training (PET) Function (Summary Level Code 14000).--The PM - PET function includes the costs for education and training directed at providers, groups of providers, and in some cases, individual providers depending on the scope of the problems or need for education. Costs of PET are allocated to both PM and to MIP. Refer to §1213.11 for MIP PET discussion.

1213.5 Provider Reimbursement Function (Summary Level Code 16000).--See §1274.3. The Provider Reimbursement function includes costs and workload(s) for establishing and maintaining providers' accounting systems, submitting cost reports for quality assurance and provider audits, maintaining records and files for hospital-based physicians, and performing hospital cost reporting activities.

1213.6 Productivity Investments (PI) Function (Summary Level Code 17000) .--Include the cost of activities related to the development and implementation of approved PIs and administrative enhancements as directed by HCFA.

A. Activity Codes for PIs.--Activity codes for PIs will be assigned to approved projects. A list of approved PIs will be available in CAFM II. Use only approved PI codes. The miscellaneous PI activity code may be used only on the initial BR and the SBR for projects that have not been approved and do not have an assigned PI activity code. Do not use the miscellaneous PI Activity Code on an IER or FACP.

1. PIs include administrative enhancements and legislative mandates directed by HCFA which are considered essential for maintenance of effective program operations. They do not necessarily generate program savings.

2. PIs may include activities that affect more than one Medicare function and are administered as a PI.

3. PIs also include systems conversions and transitions. See D below.

B. PI Funding.--PI funding is generally for first year start up costs only. Funding for subsequent years is generally treated as an ongoing cost, not a PI, and should be included as an ongoing operational cost in the contractor's BR. If PI funding after the first year is requested, a schedule with funding for each FY should be included in the initial request for funding. If HCFA determines that PI funding for subsequent FYs is authorized, the contractor should include the PI funding authorized in its BR every year it is authorized.

C. PI Costs.--Report fully allocated costs for each PI including any appropriate overhead. Submit a schedule of all non-incremental costs and hours for any PI request which equals or exceeds a threshold of \$100,000 or 5 percent of the total PM NOBA, net of credits. Include at least the following in the schedule:

1. The amount of the non-incremental costs and hours applicable to each activity/function to equal the total non-incremental cost of the PI.

2. A description of the non-incremental costs by cost category. See §1212.9.

3. If the amount of the non-incremental cost is zero, explain.

If the PI is approved, the applicable non-incremental costs and hours will be reclassified in the NOBA from each applicable activity/function to the approved PI. If the request is for a MIP PI (see §1213.13), use the total MIP NOBA for the threshold amount rather than the PM NOBA. If a NOBA has not yet been issued for the FY, base the threshold calculation on the initial BR. If PI funding is received through a HCFA distribution, rather than in response to a contractor request, provide the non-incremental cost schedule upon request from HCFA.

D. System Conversions and Transitions.--The following costs are included in systems conversions and transitions and may also apply to other projects:

- Project Management Costs.--Costs of essential staff/management project support;
- Software Installation Costs.--Costs for installing and testing the software;
- File Conversion Costs.-- Costs for converting to the new system including the costs of mapping, software development and testing;
- Interface Development and Implementation Costs.-- Costs to interface with external programs e.g., for electronic data interchange, check writing, 1099 preparation, other reports and forms;
- Training Costs.--Costs of staff training including train the trainer, technical staff and user staff training costs; and
- Other Costs.--Costs of provider education, outreach, and post- implementation problem resolution.

E. Cost-Benefit Documentation for PI Projects.--

1. General.--Before funding will be approved for a project that is proposed by a contractor, it must be demonstrated to be cost-beneficial. A project will generally only be approved if the net present value (NPV) for the project is equal to or greater than zero. The present value of the savings is at least equal to the costs of implementation when both are discounted to the same start date. As a general rule, HCFA will only consider projects having a positive NPV over 2 years. However, provide probable costs and savings taken over all years of the project.

This documentation does not supplant the existing prior approval process or the threshold amounts specified in the Medicare contract/agreement for system enhancements and subcontracts.

2. Applicability.--Include cost-benefit documentation with all requests for PI funds. The amount of the documentation required depends on the estimated cost and complexity of the project. Administrative enhancements and systems transitions directed by HCFA are not subject to this cost-benefit test unless specifically required by HCFA.

3. Documentation .--Document cost-benefit analysis using NPV calculations of costs and savings discounted to the start date. A narrative explanation of cost-benefit analysis should identify the assumptions for the analysis such as the start date, discount rate, and costs and savings in each fiscal year. Include the following items in documentation:

- Estimated Cost.--Show cost items in categories reported for activities. See §1212.9 for cost categories. Provide underlying cost details and the assumptions on which they are based for each material cost item. Include personnel, machine time, materials and outside services in the estimate of costs. Also, include EDP charges and overhead. For capital expenditures in excess of \$500, use standard procedures for establishing the asset's useful life and for the depreciation schedule. HCFA pays expenses when incurred; include the proper depreciation and return on investment for the period before implementation in your analysis.

- Administrative Cost Savings--Outline any savings in staff time, postage, and computer time. Include only cost reductions, not cost avoidance. Reduce these savings by increases in administrative costs attributable to the project (e.g., temporary productivity losses due to learning curve, "downtime" for problem resolution, and depreciation for equipment purchased).

- Benefit Savings--Estimate the amount of benefit savings, if any, which result from preventing or recovering erroneous payments, based on policy in effect at the time of the analysis.

- Discount Rate--Use the interest rate applicable under the Prompt Payment Act to discount both the savings and costs to the start date. The interest rate is published in the Federal Register.

- Start Date--This is the point in time where the project first incurs costs and is the date in time used to determine the Net Present Value of the project.

F. PI Workload--Report no workload unless directed by HCFA.

1213.7 Medicare Program Administration Function (Summary Level Code 19000)--Use only with the concurrence of HCFA.

1213.8 Medical Review (MR) Function (Summary Code 21000)--MR is the efforts taken to prevent, identify, and address claim errors made by providers including manual or automated review of claims to ensure that payments are made for services that are covered and correctly coded. (For further information see the Program Integrity Manual at http://www.hcfa.gov/pubforms/83_pim/pim83toc.htm.)

1213.9 Medicare Secondary Payer (MSP) Function (Summary Level Code 22000)--The MSP function includes the costs and workload(s) for recovery activities related to working aged; disabled; ESRD; workers' compensation; auto/liability/no fault; and other activities related to MSP and identified by HCFA.

1213.10 Benefit Integrity (BI) Function (Summary Level Code 23000)--The Benefit Integrity function includes the costs and workload(s) associated with receiving and processing complaints or allegations of Medicare fraud and abuse and maintenance of associated data bases. BI also includes self-initiated data analysis to detect potential fraud and maintenance of associated databases, and the development of cases for referral or further action. See work specifically required in §3900.

1213.11 MIP - Provider Education and Training (PET) Function (Summary Level Code 24000)--The MIP - PET function includes the costs for education and training directed at providers, groups of providers and, in some cases, individual providers depending on the scope of the problems or need for education to avoid and detect waste, fraud, and abuse. Costs of PET are allocated to both PM and to MIP.

1213.12 Audit Function (Summary Level Code 26000)--The Audit function includes the costs and workload(s) for Provider Desk Reviews, Audits and Settlements. See §1269.

1213.13 MIP Productivity Investments Function (Summary Level Code 27000)--Use these lines only with specific authorization by HCFA for MIP PI. See PM PI §1213.6 for discussion of the PI activities.

1213.14 MIP-Medicare Program Administration (Summary Level Code 29000)--Use only with the concurrence of HCFA.

1214. EXHIBIT OF SPECIAL PROJECTS FORM

CONTRACTOR NAME	ADMINISTRATIVE BUDGET AND COST REPORT				IER	SPECIAL
ADDRESS LINE 1	MEDICARE CONTRACTORS				EIN: XXXXXXXXXXXXX	
ADDRESS LINE 22	INTERIM EXPENDITURE REPORT				ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH:	SUPPLE NO:	
#####	X	XXXX	XXXX	XX	XX	CAFMI II

PM SPECIAL PROJECTS SCHEDULE

CODE	DESCRIPTION	SALARIES/ FRINGE	SUBCONT	OTHER	TOTAL	WORKLOAD
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX:	_____	_____	_____	_____	_____
18000	TOTAL	_____	_____	_____	_____	_____

REMARKS:

1214.1 Completing the Special Projects Form.--

A. General.--This schedule is used to identify special project activities. Special projects are defined as those activities which may be of critical importance from an operational standpoint but which are not materially significant from a financial standpoint viewed in the context of your contract/agreement and its requirements. Therefore, reduced budget and cost reporting is required. Special projects may relate to any underlying Medicare function and/or to a specific activity. Because of the non-material (financial) nature of the activity, charge only direct costs and specifically identifiable and incremental overhead/G&A costs to the activity.

B. Uses.--The schedule will only be used if there are special project activities to report. It will generally not be used for the BR but may be used for any or all of the following: SBR, NOBA, IER, and FACP. It shall not be used for cost reporting purposes unless funds are provided in the NOBA.

C. Explanation of Entries on Special Projects Schedule.--

1. Code.--Special projects are assigned to the 18000 series for PM activities and to the 28000 series for MIP activities. See §1212.4 for a further discussion of activity codes.

2. Description.--Brief description of the activity.

3. Productive Hours.--Include all productive hours. (See §1212.9P.)

4. Salaries/Fringe Benefits.--Include all salaries, wages and fringe benefits. (See §1212.9 A-B.)

5. Subcontracts.--Include all subcontract costs. (See §1212.9D.)

6. Other Costs.--Include all costs and, if applicable, non-COB credits not included in personal service costs and subcontracts. This may include: EDP equipment, other direct costs, other costs, non-COB credits and incremental overhead/G&A. Do not confuse this cost category with the "other costs" reported on the Activity Screen. See §§1212.9C and 1212.9E-I. Also, include any adjustments or forward funding when appropriate on the FACP. (See §1212.9L-M.)

7. Total Cost.--The sum of salaries/fringe benefits, subcontract and all other costs above. Note that special project activity costs are NOT included in any other activity and must be separately reported on this schedule and that total costs should equate to total costs as defined in §1212.9K and not to Total Adjusted Cost as defined in §1212.9N.

8. Workload.--Report the related workload if appropriate.

1215. EXHIBIT OF SCHEDULE OF OTHER DIRECT COSTS (SCHEDULE A)

CONTRACTOR NAME	ADMINISTRATIVE BUDGET AND COST REPORT				IER	SCH A
ADDRESS LINE 1	MEDICARE CONTRACTORS				EIN:	XXXXXXXXXXXX
ADDRESS LINE 2	INTERIM EXPENDITURE REPORT				ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH:	SUPPLE NO:	
#####	X	XXXX	XXXX	XX	XX	CAFM II
ACTIVITY	CODE: XXXXX	DESCRIPTION: XXX				

OTHER DIRECT COSTS - SCHEDULE A

<u>CODE</u>	<u>DESCRIPTION</u>	<u>COSTS</u>
(A)	(B)	(C)
XXX	DIRECT COST ITEM 1	_____
XXX	DIRECT COST ITEM 2	_____
XXX	DIRECT COST ITEM 3	_____
XXX	DIRECT COST ITEM 4	_____
XXX	DIRECT COST ITEM 5	_____
XXX	DIRECT COST ITEM 6	_____
XXX	DIRECT COST ITEM 7	_____
XXX	DIRECT COST ITEM 8	_____
XXX	DIRECT COST ITEM 9	_____
999	MISCELLANEOUS	_____
TOTAL OTHER DIRECT COSTS		_____

REMARKS:

1215.1 Completing the Schedule of Other Direct Costs (Schedule A).--

A. General.--Use this schedule to identify specific Other Direct Costs included in the Other Direct Costs line of the Activity Screen as defined in §1212.9 E. A separate Schedule A is completed for each activity requiring the specific identification of Other Direct Costs.

B. Uses.--Complete this schedule only with the concurrence of HCFA. It may not be required of all contractors. If required, the schedule may be used for the BR, SBR, IER and/or FACP.

C. Explanation of Entries on the Schedule A.--

1. Code.--A three-digit code identifying each cost item. Use 999 to identify all remaining costs not requiring specific identification.

2. Description.--A brief description of the discrete cost item. Types of costs to be reported are described in §1212.9 E and may also include such items as consultant fees, cost of money and travel depending on the nature of your contract. Those items requiring identification will depend on contract needs, materiality and other considerations. The classification of costs in your cost accounting system, government regulations and the contract will determine whether the cost is classified as an Other Direct Cost.

3. Total Cost.--Report the total cost for each item. The total for all Other Direct Costs, including those reported under 999 if applicable, must agree with the total reported on the Other Direct Costs line of the Activity Screen.

1216. EXHIBIT OF SCHEDULE OF OTHER COSTS (SCHEDULE B)

CONTRACTOR NAME ADMINISTRATIVE BUDGET AND COST REPORT IER SCH B
 ADDRESS LINE 1 MEDICARE CONTRACTORS EIN: XXXXXXXXXXXXX
 ADDRESS LINE 2 INTERIM EXPENDITURE REPORT ACCEPT DATE:
 CONTRACTOR NO: PART: FUND YR: REPORT YR: MONTH: SUPPLE NO:
 ##### X XXX XXXX XX XX CAFM II
 ACTIVITY CODE: XXXX DESCRIPTION: XXX

OTHER COSTS - SCHEDULE B

<u>CODE</u>	<u>DESCRIPTION</u>	<u>COSTS</u>
(A)	(B)	(C)
XXX	DIRECT COST ITEM 1	_____
XXX	DIRECT COST ITEM 2	_____
XXX	DIRECT COST ITEM 3	_____
XXX	DIRECT COST ITEM 4	_____
XXX	DIRECT COST ITEM 5	_____
XXX	DIRECT COST ITEM 6	_____
XXX	DIRECT COST ITEM 7	_____
XXX	DIRECT COST ITEM 8	_____
XXX	DIRECT COST ITEM 9	_____
999	MISCELLANEOUS	_____
TOTAL OTHER DIRECT COSTS		_____

REMARKS:

1216.1 Completing the Schedule of Other Costs (Schedule B).--

A. General.--Use this schedule to identify specific Other Costs included in the Other Costs line of the Activity Screen as defined in §1212.9 F. A separate Schedule B is completed for each activity requiring the specific identification of Other Costs.

B. Uses.--Complete this schedule only with the concurrence of HCFA. It may not be required of all contractors. If required, the schedule may be used for the BR, SBR, IER and/or FACP.

C. Explanation of Entries on the Schedule B.--

1. Code.--A three-digit code identifying each cost item. Use 999 to identify all remaining costs not requiring specific identification.

2. Description.--A brief description of the discrete cost item. Types of costs to be reported are described in §1212.9 F. Those items requiring identification will depend on the nature of your contract/agreement, materiality and other considerations. The classification of costs in your cost accounting system, government regulations and the contract/agreement will determine whether the cost is classified as an other cost.

3. Total Cost.--Report the total cost for each item. The total for all Other Costs, including those reported under 999 if applicable, must agree with the total reported on the Other Direct Costs line of the Activity Screen.

1217. EXHIBIT OF SCHEDULE OF NON-COB CREDITS (SCHEDULE C)

CONTRACTOR NAME ADMINISTRATIVE BUDGET AND COST REPORT IER SCH C
 ADDRESS LINE 1 MEDICARE CONTRACTORS EIN: XXXXXXXXXXXXX
 ADDRESS LINE 2 INTERIM EXPENDITURE REPORT ACCEPT DATE:
 CONTRACTOR NO: PART: FUND YR: REPORT YR: MONTH: SUPPLE NO:
 ##### X XXXX XXXX XX XX CAFM II
 ACTIVITY CODE: XXXXX DESCRIPTION: XXX

NON-COB CREDITS - SCHEDULE C

<u>CODE</u> (A)	<u>DESCRIPTION</u> (B)	<u>COSTS</u> (C)
XXX	DIRECT COST ITEM 1	_____
XXX	DIRECT COST ITEM 2	_____
XXX	DIRECT COST ITEM 3	_____
XXX	DIRECT COST ITEM 4	_____
XXX	DIRECT COST ITEM 5	_____
XXX	DIRECT COST ITEM 6	_____
XXX	DIRECT COST ITEM 7	_____
XXX	DIRECT COST ITEM 8	_____
XXX	DIRECT COST ITEM 9	_____
999	MISCELLANEOUS	_____
TOTAL OTHER DIRECT COSTS		_____

REMARKS:

1217.1 Completing the Schedule of Non-COB Credits (Schedule C).--

A. General.--Use this schedule to identify specific Non-COB Credits included in the Non-COB Credit line of the Activity Screen as defined in §1212.9 G. A separate Schedule C is completed for each activity requiring the specific identification of Non-COB Credits.

B. Uses.--Complete this schedule only with the concurrence of HCFA. It may not be required of all contractors. If required, the schedule may be used for the BR, SBR, IER and/or FACP.

C. Explanation of Entries on the Schedule C.--

1. Code.--A three-digit code identifying each credit item. Use 999 to identify all remaining credits not requiring specific identification.

2. Description.--A brief description of the discrete credit item. Types of credits to be reported are described in §1212.9 G. Those items requiring identification will depend on the nature of your contract, materiality and other considerations.

3. Total Credits.--Report the total credit for each item. The total for all Non-COB Credits, including those reported under 999 if applicable, must agree with the total reported on the Non-COB Credits line of the Activity Screen.

1218. EXHIBIT OF SCHEDULE OF OTHER ADJUSTMENTS (SCHEDULE D)

CONTRACTOR NAME ADMINISTRATIVE BUDGET AND COST REPORT IER SCH D
 ADDRESS LINE 1 MEDICARE CONTRACTORS EIN: XXXXXXXXXXXXX
 ADDRESS LINE 2 INTERIM EXPENDITURE REPORT ACCEPT DATE:
 CONTRACTOR NO: PART: FUND YR: REPORT YR: MONTH: SUPPLE NO:
 ##### X XXXX XXXX XX XX CAFM II
 ACTIVITY CODE: XXXXX DESCRIPTION: XX

OTHER ADJUSTMENTS - SCHEDULE D

<u>CODE</u>	<u>DESCRIPTION</u>	<u>COSTS</u>
(A)	(B)	(C)
XXX	DIRECT COST ITEM 1	_____
XXX	DIRECT COST ITEM 2	_____
XXX	DIRECT COST ITEM 3	_____
XXX	DIRECT COST ITEM 4	_____
XXX	DIRECT COST ITEM 5	_____
XXX	DIRECT COST ITEM 6	_____
XXX	DIRECT COST ITEM 7	_____
XXX	DIRECT COST ITEM 8	_____
XXX	DIRECT COST ITEM 9	_____
999	MISCELLANEOUS	_____
TOTAL OTHER DIRECT COSTS		_____

REMARKS:

1218.1 Completing the Schedule of Other Adjustments (Schedule D).--

A. General.--Use this schedule to identify specific Other Adjustments included in the Other Adjustments line of the Activity Screen as defined in §1212.9L. A separate Schedule D is completed for each activity requiring the specific identification of Other Adjustments.

B. Uses.--Complete this schedule only with the concurrence of HCFA. It may not be required of all contractors. Although described in this section, the schedule will not be used in budget preparation. It may be used for the IER and/or FACP.

C. Explanation of Entries on the Schedule D.--

1. Code.--A three-digit code identifying each adjustment item. Use 999 to identify all remaining adjustments not requiring specific identification.

2. Description.--A brief description of the adjustment item. Types of adjustments to be reported are described in §1212.9 L. Those items requiring identification will depend on the nature of your contract, materiality and other considerations.

3. Total Adjustments.--Report the total adjustment for each item. The total for all Other Adjustments, including those reported under 999 if applicable, must agree with the total reported on the Other Adjustments line of the Activity Screen.

1219.1 Completing the Miscellaneous Cost Schedule.--

A. General.--Use this schedule to identify specific “miscellaneous cost items.” This is a single stand-alone schedule and it does NOT tie to any Activity Screen. HCFA will specify any miscellaneous cost items to be reported.

B. Uses.--The schedule is for tracking ANY miscellaneous costs within one or more activities which need to be separately identified but are already included in the total costs of those activities. It is used for the following specific annual, periodic, and monthly reports you submit to HCFA.

- Budget request - See §1255
- Interim Expenditure Report - See §1321
- Final Administrative Cost Report - See §1361

C. Explanation of Entries.--

1. Code.-- A miscellaneous code is assigned within the 10000 series for PM activities, the 20000 series for MIP activities, and the 51000 series if it pertains to both PM and MIP. The code is followed by a 2-digit code to identify specific cost items. HCFA will identify miscellaneous codes to report. See §1212.4 for further discussion of activity codes.

2. Description.--Brief description of the activity.

3. Costs.--Include personal service, subcontract and all other costs as appropriate. Miscellaneous costs should include accruals.

4. Workload.--Report the related workload if appropriate.

5. Net Hours Available.--Report the number of net hours available per employee. (See §1223.1.)

1220. EXHIBIT OF COST CLASSIFICATION REPORT, FORM HCFA-2580

CONTRACTOR NAME	ADMINISTRATIVE BUDGET AND COST REPORT				FACP	COST CLASS
ADDRESS LINE 1	MEDICARE CONTRACTORS				EIN: XXXXXXXXXXXXX	
ADDRESS LINE 2	FINAL ADMINISTRATIVE COST PROPOSAL				ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH:	SUPPLE NO:	
#####	X	XXXX	XXXX	XX	XX	CAFM II

COST CLASSIFICATION REPORT

CLASSIFICATION	COST (A)	OVERHEAD / G& A (B)	TOTAL OTHER ADJUSTMENTS (C)	TOTAL ADJUSTED COSTS (D)
1. SALARIES AND WAGES				X,XXX,XXX,XXX
2. FRINGE BENEFITS				X,XXX,XXX,XXX
3. FACILITIES OR OCCUPANCY				X,XXX,XXX,XXX
4. EDP EQUIPMENT				X,XXX,XXX,XXX
5. SUBCONTRACTS				X,XXX,XXX,XXX
6. OUTSIDE PROFESSIONAL SERVICES				X,XXX,XXX,XXX
7. TELEPHONE AND TELEGRAPH				X,XXX,XXX,XXX
8. POSTAGE AND EXPRESS				X,XXX,XXX,XXX
9. FURNITURE AND EQUIP (NOT EDP)				X,XXX,XXX,XXX
10. MATERIALS AND SUPPLIES				X,XXX,XXX,XXX
11. TRAVEL				X,XXX,XXX,XXX
12. RETURN ON INVESTMENT				X,XXX,XXX,XXX
13. MISCELLANEOUS				X,XXX,XXX,XXX
14. OTHER				X,XXX,XXX,XXX
15. CREDITS				X,XXX,XXX,XXX
16. FORWARD FUNDING				<u>X,XXX,XXX,XXX</u>
17. TOTAL				X,XXX,XXX,XXX

AVERAGE UNDEPRECIATED BALANCE OF ASSETS ALLOCABLE TO MEDICARE _____
 PORTFOLIO RATE OF RETURN _____
 TOTAL RETURN ON INVESTMENT _____

PENSION COSTS

REMARKS:

1221. COMPLETING THE COST CLASSIFICATION REPORT, FORM HCFA-2580

Submit the Cost Classification Report (CCR), Form HCFA-2580, with estimated costs identified by major classifications. Submit it with both the BR and the FACP.

NOTE: Only one combined PM/MIP CCR is required with the BR and the FACP.

Round entries to the nearest \$100 for the budget request and nearest \$1 for the FACP.

1221.1 Column A--This column will sum all activities to equal Total Adjusted Cost less Overhead, General and Administrative and Other Adjustments. The following fields will be prefilled: Salaries and Wages, Fringe Benefits, EDP Equipment, Subcontracts, Credits and Forward Funding. The contractor will identify and enter Other Direct Costs among the following applicable cost classification categories: Facilities and Occupancy, Outside Professional Services, Telephone and Telegraph, Postage and Express, Furniture and Equipment, Materials and Supplies, Travel, Return on Investment, Miscellaneous and Other. See §§1212.9 and 1221.5 for a description of each cost classification category.

1221.2 Column B--Use this column to allocate total Overhead and General and Administrative costs from all activity forms to the applicable cost classification categories. See §§1212.9 and 1221.5.

1221.3 Column C--Use this column to allocate total Other Adjustments from all activity forms to the applicable cost classification categories. (See §§1212.9 and 1221.5.) Do not use this column in the budget request.

1221.4 Column D--The sum of columns A-C to equal Total Adjusted Costs for all activity forms.

1221.5 Cost Classification Categories--

A. Salaries and Wages--(See §1212.9A.)

B. Fringe Benefits--(See §1212.9B.) Include the portion of fringe benefits allocated for contributions to employee pension plans. Also, separately identify pension plan expense.

C. Facilities and Occupancy--Include:

- Rent-leasehold;
- Amortization-leasehold improvements;
- Depreciation or rental of company-owned buildings;
- Real estate and property taxes;
- Insurance on property;
- Power, heat and light;
- Personal service costs and/or facility service agreements related to general maintenance, janitorial and security;
- Repairs; and
- Other - licenses or permits related to buildings or their components.

D. EDP Equipment--(See §1212.9 C.)

E. Subcontracts--(See §1212.9D.)

F. Outside Professional Services--Include charges for professional services rendered by outside consultants. This includes medical and management-type consultants.

- G. Telephone and Telegraph--Self-explanatory.
- H. Postage and Express--Self-explanatory.
- I. Furniture and Equipment, Other Than EDP--Include:
 - Rental or depreciation;
 - Expense items under \$500;
 - Maintenance and repairs; and
 - Use charges.

Examples of items that fall within the category of furniture and equipment are:

- Desks and chairs;
- Office machines--typewriters, calculators;
- Filing cabinets; and
- Microfilm equipment.

Capitalize and depreciate furniture and equipment costing \$500 or more per item and with a useful life of more than 1 year. Do not include the expense of leased and company-owned autos.

J. Materials and Supplies--Include all expendable items such as general office supplies and EDP supplies.

K. Travel--Include costs for transportation, meals, and lodging. Include the cost of leased autos and all costs associated with company-owned vehicles. Do not include personal service costs related to individuals in travel status.

L. Return on Investment (ROI)--If applicable, include charges related to application of the investment rate of return to the average undepreciated balance of capitalized assets for the period. Calculate ROI using the portfolio rate of return for the contract period instead of the treasury rate. Include the following ROI schedule.

ROI Calculations FY

Average undepreciated balance of assets allocable to Medicare..... \$ (A)

Contractor's portfolio rate of return for the contract period..... (B) %

Total ROI (A x B)..... \$ _____

- M. Miscellaneous--Include:
 - Taxes, other than personnel and real property;
 - Insurance, other than that included in §§1221.2, 1221.3, and 1221.4;
 - Dues to professional, trade, and business associations;
 - Net food service costs (cafeteria and subsidized eating facilities); and
 - All other costs not specifically identified elsewhere. Specifically identify all other costs over \$2,500 in Remarks.

N. Other (Identify in Remarks Section).--This is reserved and should not be used without explicit approval of HCFA.

O. Credits.--Include the applicable portion of any income, rebate, allowance, or other credits related to total operations. This includes, but is not limited to, Medicare data used for complementary health insurance and/or Medicaid claims processing by you or another organization. The credits reported must equal the total COB credits reported on the certification schedule plus the sum of non-COB credits included on the activity forms. (See §§1212.9G and 1222.C.)

P. Forward Funding.--See §1212.9M. Use this category only with the FACP.

1221.6 Total.--The sum of the items on Form 2580. The amount in Column D must be identical to the Total Cost of the Budget Request or Total Adjusted Costs of the FACP.

1221.7 Pension Costs.--Identify pension plan expenses included in fringe benefits, Column D.

1221.8 Remarks.--Include any appropriate comments.

1222. EXHIBIT OF CERTIFICATION FORM

CONTRACTOR NAME	ADMINISTRATIVE BUDGET AND COST REPORT				NOBA	CERTIFICATION
ADDRESS LINE 1	MEDICARE CONTRACTORS				EIN:	XXXXXXXXXXXX
ADDRESS LINE 2	NOTICE OF BUDGET APPROVAL				ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH:	SUPPLE NO:	
#####	X	XXXX	XXXX	XX	XX	CAFM II

CREDIT ITEM _____ AMOUNT _____

Complementary Credit:
MEDICAID:
MEDIGAP:

Total Credits:

PM ACTIVITY SUMMARY BY FUNCTION

<u>CODE</u>	<u>DESCRIPTION</u>	<u>PROD. HOURS</u>	<u>TOTAL COST</u>	<u>WORKLOAD</u>
11000	BILLS/CLAIMS PAYMENT			
12000	APPEALS			
13000	INQUIRIES			
14000	PROVIDER EDUCATION/TRAINING			
15000	PARTICIPATING PHYSICIAN			
16000	PROVIDER REIMBURSEMENT			
17000	PRODUCTIVITY INVESTMENTS			
18000	SPECIAL PROJECTS			
19000	MEDICARE PROGRAM ADMIN			
	CREDITS			
TOTAL				

CUMULATIVE QUARTERLY DISTRIBUTIONS

<u>FY</u>	<u>FIRST QTR</u>	<u>SECOND QTR</u>	<u>THIRD QTR</u>	<u>FOURTH QTR</u>

I CERTIFY TO THE BEST OF MY BELIEF OR KNOWLEDGE THAT THIS DATA IS ACCURATE, COMPLETE, AND CURRENT AS OF THE DATE OF THE EXECUTION OF THIS CERTIFICATE.

CERTIFYING OFFICIAL _____
TITLE _____

REMARKS: _____

1222.1 Completing the Certification Form.--

A. General.--There are four sections that are utilized by the user to generate the PM certification. They are: Credit, Activity Summary by Function, Administrative Funds Drawn and Certification Screen. For MIP, there are three sections. They are: Activity Summary by Function, Administrative Funds Drawn and Certification Screen.

For PM, the user will enter the COB credits. After the user has entered all COB credit information, the system will sum the data to a “facesheet” amount by Medicare function, for Total Cost and Total Adjusted Cost, including a separate line for COB credits. The contractor will attest to the accuracy of the data included in the report by completing a certification statement.

B. Uses.--The form will be used for the BR, SBR, IER, and FACP.

C. Completing the Certification Section.--

1. Credit Amount.--Enter the cumulative amount of cash received for Complementary Credit and Medicaid to equal total credits. The user must also enter the amount of accrued credits in total. Accrued credits represent outstanding receivables (invoices that have been billed but payments have not been received as of report date). This section must be completed prior to generation of the Certification Section.

2. Activity Summary By Function Section.--This is a system generated area. The system will sum the data to a total facesheet by Medicare function. No input is required by the user; however, the total must tie to subsidiary records.

3. Administrative Funds Drawn Section.--This section is completed only for the IER. (See §1321.6.)

4. Certification Section.--Enter name of Certifying Official and Title. An authorized official signs and dates the hard copy report and retains a copy in file.

5. Remarks Section.--Complete when appropriate.

1223. EXHIBIT OF SCHEDULE OF NET HOURS AVAILABLE, FORM HCFA-3258

<i>SCHEDULE OF NET HOURS AVAILABLE</i>												
<i>MEDICARE CONTRACTORS</i>												
Contractor Name and Address:			Identification Number				Fiscal Year					
			Contractor #									
1. Period	October	October- November	October- December	October- January	October- February	October- March	October- April	October- May	October- June	October- July	October- August	October- September
2. Cumulative Days Per Period												
3. Less - Weekends												
4. Holidays												
5. Average Vacations												
6. Average Sick Leave												
7. Other Leave - Average												
8. Total Days Off												
9. Days Available												
10. Working Hours Per Day												
11. Less Authorized Breaktime												
12. Net Cumulative Daily Hrs Available												
13. Net Hours Available Per Employee (Item 12 x Item 9)												

If the working hours per day or net daily hours available is not the same for all periods this should be explained under the remarks section. Working hours per day should reflect no more than a normal working day.

REMARKS: _____

FORM HCFA 3258

1223.1 Completing the Schedule of Net Hours Available--This form is not a required attachment to the initial Budget Request unless specifically requested by your RO. It is provided here for illustration purposes since the net hours available figure must appear on the BR. It is calculated as described below.

NOTE: The net hours available reported on each IER and the FACP will be based upon the net hours available shown on your initial BR.

- A. Contractor Name and Address--Enter your organization's official name and address.
- B. Identification Number--Enter the five-digit Medicare-assigned contractor number.
- C. Fiscal Year--Enter the FY year that corresponds to the administrative budget and cost report.
- D. Line 1 - Period--Indicate the months involved.
- E. Line 2 - Cumulative Days Per Period--Indicate the calendar count of days involved.
- F. Line 3 - Weekends--Indicate the calendar count of weekend days involved.
- G. Line 4 - Holidays--Indicate the calendar count of holidays involved.
- H. Line 5 - Average Vacation--Indicate the average vacation per employee based on personnel records.
- I. Line 6 - Average Sick Days--Indicate the average sick days per employee based on personnel records.
- J. Line 7 - Other Leave Average--Indicate the average days used for other leave per employee based on personnel records.
- K. Line 8 - Total Days Off--A sum of lines 3, 4, 5, 6, and 7.
- L. Line 9 - Days Available--Subtract line 8 from line 2.
- M. Line 10 - Working Hours Per Day--Enter the normal working hours per day.
- N. Line 11 - Authorized Breaktime--Enter the amount of time employees are authorized to use for nonproductive purposes, e.g., coffee breaks.
- O. Line 12 - Net Cumulative Daily Hours Available--Subtract line 11 from line 10.
- P. Line 13 - Net Hours Available Per Employee--Multiply line 12 by line 9.

1230. CONTRACTORS PERFORMING SERVICES FOR OTHER MEDICARE CONTRACTORS

Where services such as bill processing, EDP services, provider audit, or appeals processing are performed by one contractor for another, the following budget preparation procedures apply.

1230.1 Servicing Contractor--The servicing contractor furnishes the receiving contractor an appropriate estimate of the costs described in §1212.9 by activity.

The estimates are submitted on the Activity Form by cost category. For provider audit, furnish the Contractor Auditing and Settlement Report with applicable activities and columns completed. (See §1269.) The estimate for these services includes all direct, and an equitable share of indirect, costs expected. All estimates are in accordance with the principle that neither the contractor providing the service nor the contractor receiving the service incurs a profit or loss on the transaction. Do not include related estimated costs as part of your budget submission. Furnish this information to the receiving contractor.

1230.2 Receiving Contractor--The receiving contractor includes the estimated costs, furnished by the servicing contractor, as a subcontract cost and identifies the servicing contractor in the Remarks section of that Activity Form.

1240. BUDGET JUSTIFICATION

The annual BPRs describe the statement of work and level of effort for each Medicare function to which you must adhere. The General Instructions section of the BPRs details the narrative, analysis, worksheets and data requirements which constitute the general instructions for the budget justification. Additional requirements may be identified in each functional area. Refer to the BPRs for the current year's budget justification requirements.

1255. COMPLETING THE BUDGET REQUEST

Use this basic document for submitting the annual estimate of costs for administrative functions and duties related to the Medicare program. The format and related explanations must furnish sufficient information to permit a meaningful review of the estimates. The information requested and as supplemented by the BPRs form the basis for the budget data for each FY.

The base period for preparation and comparison of the BR is the prior year's budget unless otherwise stated in the BPRs. Consider your most recent experience in preparing financial cost estimates.

1255.1. Transmittal--Transmit the complete BR consisting of the activity forms and supporting schedules via CAFM II. (See §1267.)

1255.2 Hard Copy Requirements--Submit the original to the RO and one copy to CO of all forms, all supporting schedules, and all narrative justifications which are not transmitted via CAFM II. Address CO hard copies to:

Health Care Financing Administration
Division of Financial Operations, OFM
7500 Security Boulevard
Baltimore, Maryland 21207

1255.3 Activities--Descriptions of these items are in §1213.

1255.4 Hours--Enter hours as developed using instructions in §1212.9P. Round entries to the nearest hour.

1255.5 Costs--Enter costs and credits as in §1212.9. Round entries to the nearest hundred dollars.

1255.6 Workload--Enter the workloads for the budget period. (See §1212.9O.)

1255.7 Net Hours Available (Miscellaneous Section)--Enter the number of net productive hours required to convert total productive hours to equivalent staff-years for the budget period. (See §1223.)

1255.8 Narrative and Financial Analysis Requirements--Include a narrative analysis (budget justification) which summarizes the funding and workload requested for each line of operation. The analysis shall provide information which fully justifies your request, includes all required forms as defined herein, and meets the requirements stated in the annual BPRs.

Operations personnel should actively participate in the development of the BR.

If HCFA workload volumes are supplied and those volumes are acceptable, no volume analysis is required. Requests for changes in workload from any HCFA provided volumes must be supported by a volume analysis which includes the historical data used to make the projection, a description of the forecast methodology used and the actual forecast computation. This applies to all line items with identifiable workload volumes.

1255.9 Financial Information Survey--This survey must be completed and submitted in hard copy as an attachment to your initial BR.

A. If you have a new severance policy in place or your previous severance policy has been updated:

- State the effective date for the new or updated severance policy.
- Summarize your severance/separation pay policy including both management and staff. State the length of service criteria, types of cost covered by the policy, the effective date of the policy and any other criteria used in determining the amount of payment. Identify and discuss any related benefits which may be payable to or on behalf of the employee beyond the standard severance payment(s).
- Attach a dated extract of your corporate severance pay policy and any related benefits payable to or on behalf of the employee related to the severance or separation.
- If there is no change since the submission of the initial BR for last year, state "No Change."

B. Estimate the number of direct Medicare employees (excluding temporaries) in this BR FY, the average number of years that staff and management have been employed full time on the Medicare contract and average number of years each has been with the corporation:

- No. of direct Medicare employees: Staff _____ Management_____.
- Avg. yrs. employed Full Time with Medicare: Staff _____ Management_____.
- Avg. yrs. employed with corporation: Staff _____ Management_____.

C. During the last 2 years or for this BR FY, did you acquire or do you intend to acquire (through lease or purchase) any Electronic Data Processing Equipment (as reported on the Cost Classification Report, see §1221.4) or any EDP operations change which will result in a TOTAL charge (not annual depreciation) to the Medicare program exceeding \$500,000?

Yes or No _____

If yes, state the following:

- Month and year of acquisition:
- Type of acquisition (new lease, replacement lease, purchase):
- Reason for acquisition (obsolescence, overcapacity):
- Amount included in this BR for the equipment or operations change: \$_____.
- Total number of depreciable years _____
- Number of depreciable years remaining: _____

NOTE: Any response to the above does not constitute prior notice/approval as required by the contract.

D. Provide a breakdown of the “average undepreciated balance of assets” allocated to Medicare as included in the Cost Classification Report (CCR) for this BR (See §1221.5L.)

Facilities or Occupancy:	\$ _____
Furniture and Equipment:	\$ _____
Electronic Data Processing Equipment:	\$ _____
Other (specify):	\$ _____
Total (agree to CCR):	\$ _____

E. Identify all leases or rentals in effect in this BR FY for facilities/occupancy, furniture and equipment, EDP equipment, and other where the annual charge to Medicare for this BR FY will equal or exceed \$500,000. Provide the annual amount included in the FY BR and lease/rental expiration month and year. If none, state none.

NOTE: Your RO may require a listing of all subcontracts/leases for review. Contact your RO if in doubt.

F. In conjunction with the facilities and occupancy costs, provided as Item 3 on the Cost Classification Report, summarize the Medicare costs by general categories below. Include base and budget period costs:

Indicate Base Period you are using: _____

1. Depreciation and Rent or Lease:

- Depreciation: Base Period: _____ Budget Year: _____

(Use when buildings and land are owned. Building costs are total costs excluding interest expenses, but including parking lots, landscaping, etc.)

- Rent or Lease: Base Period: _____ Budget Year: _____

(Use when facilities are rented either from an outside source or an affiliate. These costs include amortization of leasehold improvements.)

2. Utility Costs: Base Period: _____ Budget Year: _____

(Report power, heat, and light for owned space and where not included in rental or lease costs.)

3. Other Costs: Base Period: _____ Budget Year: _____

(This includes items such as janitorial services, security, carpentry, plumbing, electrical and all work associated with non-permanent type partitioning and moving operations within the building, if not included in the rental or lease cost.)

4. Total Cost: Base Period: _____ Budget Year: _____

(Total cost of 1 through 3 to agree with Facility and Occupancy costs reported on the Cost Classification Report.)

5. Cost Per Net Usable Square Foot: See Appendix B, Article X.B. of the Medicare contract/agreement for the definition of net usable space.

Base Year: Total Cost: _____ Square Feet: _____ Cost Per Sq. Foot: _____
Budget Year: Total Cost: _____ Square Feet: _____ Cost Per Sq. Foot: _____

1256. ADDITIONAL INSTRUCTIONS PERTAINING TO SUPPLEMENTAL BUDGET REQUESTS (SBRs)

A. General.--These instructions pertain to SBRs filed after action is taken on the initial BR discussed in §1255. An SBR is a contractor's request for additional funding after the FY has begun. The SBR is a request for additional funding for one or more activities. To the extent that the request, if approved, would result in a reclassification of the non-incremental costs and hours charged to other activities/functions, submit a schedule of non-incremental costs in accordance with §1213.6C. It is not copied from either the NOBA or the BR. Use the BPRs as a basis for providing your SBR justification. A SBR is generally filed after you receive a NOBA for the full FY and you determine that there are insufficient funds to perform the statement of work outlined in the BPRs and the NOBA. A SBR may also be required if there is a special project for which you would like to request funding. Refer to §1213.6 regarding PIs.

An SBR may also be required in response to a HCFA-generated request that you perform a specific task. Such a HCFA-generated request should be in writing and may include written procedures, manual issuances or any written request for work pertaining to special projects.

A copy of the SBR, with rationale, must be sent to both your RO and CO at the time the SBR is transmitted via CAFM II. Send a copy to CO to the same address that you send your BR. See §1255.2 for address.

B. Definitions.--Base the SBR on the latest released NOBA or negotiated budget and any outstanding SBRs. An SBR is appropriate if there is a need for a change in total funding, a transfer of funds among functions, and/or a change in workload. Select the correct activity code and enter incremental costs including hours and workload. Annotate in the Remarks section of the Activity Screen the NOBA number on which the current SBR is based.

Example:

An SBR requesting additional Claims funding of \$200,000, workload of 150,000 along with additional telephone inquiries funding of \$100,000 and workload of 25,000 would be transmitted as follows:

Activity Code 11001, (Bills/Claims Processing):	\$200,000	Workload 150,000
Activity Code 13001, (Telephone Inquiries):	\$100,000	Workload 25,000

Remarks: This SBR is based on NOBA #1.

Do not include funding previously requested and denied unless you are specifically re-requesting funding for this item and have provided a revised budget justification to support the request.

C. Shared Systems.--HCFA requires that each user group designate one of its members to submit SBRs for systems improvements on behalf of the group or, if the servicing subcontractor (the subcontractor performing the systems improvement work) is also a Medicare contractor, that the SBR be submitted by that Medicare contractor.

If the servicing subcontractor is a commercial vendor, the SBR must be submitted by the designee on behalf of the group through the designee's parallel RO or the designated RO with a copy to CO. If the servicing subcontractor is another Medicare contractor, that contractor submits the SBR to its parallel RO or the designated RO with a copy to CO.

In all cases, the SBR submitted is consolidated to include the request for the servicing subcontractor and any related funds requested by the other user group members. However, the consolidated SBR will clearly state the amount(s) requested on behalf of each user as well as the servicing subcontractor, any unique user expenses for each user pertaining to the shared system activity, and delineate projected savings for each user.

All funding through the NOBA is to the designee or Medicare contractor. Cost reporting corresponds to the NOBA. User unique expenses such as training and/or related travel are funded directly to each user with costs reported accordingly. This applies even though the requested funds are included in the consolidated SBR.

The designated contractor is responsible for amending its subcontract with the maintenance vendor, requesting prior approval if the project costs exceed its threshold in the prime contract and accounting for proper expenditure of the project funds.

D. Minimum Documentation Requirements--Justification.--A complete SBR must include transmission on CAFM II and submission of a written justification supporting the request. The justification must be submitted by an appropriate official. (See §1321.7.) The justification must provide sufficient detail for each cost category (see §1212.9 and below) and explicitly link the request to the BPRs and/or general instructions which require the work and cost.

If the request equals or exceeds the smaller of \$100,000 or 5 percent of the total PM or MIP NOBA, whichever is applicable, define the major steps necessary to accomplish the proposed effort (at least 3 steps) and provide an operational and financial rationale which addresses each of the cost categories for each step. If the activity cannot be broken down into at least 3 steps, explain why not.

The operational rationale should explain the scope and types of efforts contemplated. The financial rationale should explain how the estimated funding needs were determined for each cost category through the identification of assumptions, supporting information and calculations used to arrive at the estimated amounts.

1. Salaries/Wages and Fringe Benefits.--Provide job classes, number of employees (actual or FTEs), rates, period of work, major deliverables and/or milestones with dates. Discuss any premium payments. (These two cost categories may be combined.)

2. EDP Equipment.--Discuss how the amount was determined or allocated and identify any extraordinary items required. If any equipment is to be leased or purchased, provide details and, if appropriate, include a cost-benefit analysis.

3. Subcontracts.--Identify subcontractor, scope, major deliverables, period of work and rates.

4. Other Direct Costs.--Discuss how the amount was determined or allocated and any extraordinary items required. If any items are to be leased or purchased, provide details and, if appropriate, include a cost-benefit analysis.

5. Overhead/G&A.--Discuss how the amount was determined or allocated and any extraordinary items required. (These two cost categories may be combined.)

6. Hours.--Identify and discuss both direct and subcontract hours.

7. Workloads.--Identify and discuss all significant workloads.

1261. THE NOTICE OF BUDGET APPROVAL (NOBA)

A NOBA is issued by HCFA to notify contractors of approved amounts for PM and MIP administrative expenses for the FY, including the amount of funds certified to be available. Contractors are not authorized to incur expenses in excess of the total certified amount for PM or MIP. PM and MIP funding must not be co-mingled and this limitation, therefore, applies to each separately. In addition, refer to the BPRs and/or the contract/agreement for the authority to shift funds among PM or MIP functions.

The first NOBA issued for a FY is given a supplemental number of "0". Subsequent NOBAs are numbered sequentially. Where agreement on a budget cannot be reached, HCFA issues a NOBA for less than the full FY year pending completion of negotiations. These NOBAs are annotated as a partial approval in the "Remarks" section and numbered as above. HCFA may issue NOBAs for less than a full FY when necessary.

All dollar amounts will be rounded to the nearest hundred, hours to the nearest hour, and bills payment workload to the nearest hundred. The end of FY NOBA is not rounded. There are separate summary screens and certifications for PM activities and MIP activities.

The NOBA displays information by function and activity. See §1213 for definitions of functions and activities. For each function and activity, hours, total cost, and workload will be displayed. The hours, total cost, and workload shown for a function is the sum of the data input for the activities for that function.

1261.1 End of FY NOBA.--When claimed costs are less than the total approved for the FY, HCFA issues a revised NOBA reducing the FY funding to the amount claimed on the FACP. This reduction keeps the amount of obligated funds to a minimum, thereby permitting maximum flexibility in the use of appropriated funds. If the contractor subsequently finds that not all costs have been claimed, submit a revised FACP.

If the administrative cost reported in the October - September IER or FACP exceeds the total approved budget, justify the over expenditure to the RO with a copy to CO. HCFA reviews the over expenditure for adherence to contract provisions on prior notice and abatement and other considerations and, where appropriate, issues a revised NOBA that enables the contractor to draw additional funds.

The incidences of such end-of-year over-expenditures are few since notification is necessary more than 60 days prior to the end of the FY if either HCFA or the contractor expects that the budgeted amounts are not sufficient to cover administrative costs. (See §1362.)

1261.2 Cumulative Quarterly Distribution.--This indicates the approved cumulative quarterly distribution for PM and/or MIP. Funds should not be drawn in excess of the lesser of the quarterly distribution or the contractor's expenses. The quarterly distributions for PM and MIP are separate.

The PM and MIP distributions and costs must be treated separately in determining the amounts to draw for administrative expenses for each.

1261.3 Certifying Official--This signature indicates approval of the NOBA by the delegated RO official. In many cases you will not receive a signed copy of the NOBA. The RO will “release” the NOBA within CAFM II, which signifies certification and will include the official’s name and title. An explanation of the nature of the NOBA will be included in the Remarks section on this certification page. The RO will notify the contractor via phone or e-mail when the NOBA has been certified and released in CAFM II.

1265. EXHIBIT OF BUDGET DISTRIBUTION FORM

CONTRACTOR NAME ADMINISTRATIVE BUDGET AND COST REPORT BD
 ADDRESS LINE 1 MEDICARE CONTRACTORS EIN: XXXXXXXXXXXXX
 ADDRESS LINE 22 BUDGET DISTRIBUTION ACCEPT DATE:
 CONTRACTOR NO: PART: FUND YR: SUPPLE NO:
 ##### X XXXX XX CAFM II

BASED ON NOBA SUPPLEMENT NO: XX

PROGRAM MANAGEMENT COST SUMMARY BY FUNCTION

CODE	DESCRIPTION	PERIOD 1	PERIOD 2	PERIOD 3	PERIOD 4
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X

WORKLOAD SUMMARY BY FUNCTION

1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X
1XXX	XXXXXXXXXXXXXXXXXXXXXXXXXXXX	XXX.X	XXX.X	XXX.X	XXX.X

I CERTIFY TO THE BEST OF MY BELIEF OR KNOWLEDGE THAT THIS DATA IS ACCURATE, COMPLETE, AND CURRENT AS OF THE DATE OF THE EXECUTION OF THIS CERTIFICATE.

CERTIFYING OFFICIAL _____
 TITLE _____

REMARKS:

1265.1 Completing the Budget Distribution (BD).--

A. General.--Transmit BD reports with all data elements completed for approval 30 days after receipt of the initial annual NOBA. If a supplemental NOBA is received, the contractor should review the BD percentage and update, as necessary, and resubmit. If a contractor receives more than one NOBA in any 2-week period, prepare a BD only for the latest one. Notification of the BD periods can be found in CAFM II. CAFM II has standard reports to identify which activity or function codes are part of the BD, the required reporting period and the specified tolerances for these periods.

B. Explanation of Entries on Budget Distribution.--

1. Code.-- A 5-digit code identifying each function. The PM function codes are 11000-19000 and the MIP function codes are 21000-29000. See §1212.4 for further discussion of function codes.

2. Description.-- Brief description of the function.

3. Period 1.--Enter the percentage of NOBA you estimate to be expended through the first period.

4. Period 2.--Enter the percentage of NOBA you estimate to be expended through the second period.

5. Period 3.--Enter the percentage of NOBA you estimate to be expended through the third period.

6. Period 4.--Enter the percentage of NOBA you estimate to be expended through the entire FY. (Should not exceed 100 percent.)

7. Transmittal.--Transmit the BD via CAFMII. Hard copies are not required in the RO or CO. Retain a signed hardcopy in your files.

8. Budget Distribution Approval.--HCFA approves periodic allocations based on acceptable data submitted. Notification of acceptance or nonacceptance is provided by HCFA within 30 days following receipt. The RO indicates acceptance/nonacceptance on CAFM II. If your BD is not approved by the RO, you will also be notified by letter or telephone.

9. Redistribution of Funds Required - Annual Budget Adequate.--If the annual estimate is adequate, but budgeted funds must be redistributed between periods, submit the budget distribution form and include an explanation in the remarks for the periods remaining in the FY. The RO should be notified of this redistribution. The contractor will be notified of acceptance or nonacceptance of the report.

1267. BUDGET PREPARATION CHECK LIST FOR PROGRAM MANAGEMENT AND
MEDICARE INTEGRITY PROGRAM

<u>FORM NAME</u>	<u>DUE TO</u>	<u>DUE DATE</u>
<u>Initial Budget Request</u> --Activity Forms (with following attachments as required by HCFA) Miscellaneous Schedule Special Projects Schedule (if applicable) Certification Schedule Cost Classification Report (HCFA-2580) CASR (HCFA-1525A) Provider Reimbursement Profile (HCFA-1531) Schedule of Providers Serviced (HCFA-1531A) Other Information as Requested in the BPRs	HCFA	June/July
<u>Notice of Budget Approval</u> Activity Summary Certification Schedule	Contractor	October 1 and thereafter as needed
<u>Budget Distribution</u> (with following attachment:) CASR (HCFA-1525A)	HCFA	30 days after initial annual NOBA received and as needed thereafter.
<u>Supplemental Budget Request</u> See §1256		

CHAPTER III
BUDGET EXECUTION

Section

General

General.....	1300
Cost Report Forms Supply.....	1301
Contractors Performing Services for Other Medicare Contractors.....	1302
Servicing Contractor.....	1302.1
Receiving Contractor.....	1302.2
Special Cost Reporting Issues.....	1303

Interim Expenditure Report (IER)

Exhibit of the Certification Schedule for the IER	1320
Completing the Cumulative Interim Expenditure Report (IER).....	1321
Transmittal and Due Dates.....	1321.1
Completing the IER	1321.2
Hours – Activity Form.....	1321.3
Costs and Credits – Activity Form.....	1321.4
Net Hours Available – Miscellaneous Schedule.....	1321.5
Administrative Funds Drawn – Certification Schedule	1321.6
Contractor Certification – Certification Schedule	1321.7
Remarks – Activity Form and Certification Schedule.....	1321.8
Forward Funding.....	1321.9
Hard Copy Requirements.....	1321.10

Variance Analysis

Exhibit of Variance Analysis	1330
Variance Analysis	1331
Transmittal and Due Dates.....	1331.1
Explanation of Reporting Requirements for the Variance Analysis.....	1332
Reporting Parameters.....	1332.1
Instruction for Completing the Variance Analysis Explanation Report.....	1332.2
Fiscal Year Over Expenditure--October-September IER	1333
Control of Administrative Funds Drawn.....	1340
Budget Amount Appears Insufficient.....	1351

Final Administrative Cost Proposal (FACP)

Completing the Final Administrative Cost Proposal (FACP).....	1361
Transmittal and Due Date	1361.1
Activities	1361.2
Hours (Hours Field of the Activity Form)	1361.3
Costs (Cost Item Fields of the Activity Form).....	1361.4
Forward Funding.....	1361.5
Workload (Workload Field 1 of the Activity Form)	1361.6
Exhibit of Credit Schedule Attachment to the Cost Classification Report.....	1361.7
Completing the Credit Schedule Attachment to the Cost Classification Report.....	1361.8
Supporting Documentation for the FACP	1362

CHAPTER III
BUDGET EXECUTION

Release of Medicare Information

Financial Procedures for Release of Medicare Information to the Public	1380
Financial Procedures Related to Medicare Projects Funded by HHS Components	
Other than HCFA.....	1381
Release of Existing Medicare Information.....	1381.1
Development of Additional Data	1381.2

Non-Continuation of Contract

Special One-Time Costs Associated with Non-Continuation of the Medicare Contract....	1382
--	------

Budget Execution Checklist

Budget Execution Check List for Program Management and Medicare Integrity Program.....	1399
--	------

1300. GENERAL

This chapter establishes fiscal controls to ensure efficient use of the Health Insurance Trust Funds. These controls are necessary to implement program objectives and to carry them out within established limitations. Plan your operation within the lower of the approved annual budget, the approved periodic budget distributions and the certified funds available for Program Management (PM) and Medicare Integrity Program (MIP) budgets separately, and without co-mingling. You are responsible for performing a continuing analysis of the approved budget in light of experience and projected future needs. Report any change in fiscal requirements to HCFA. (See §1351.)

Monthly Interim Expenditure Reports (IERs) prepared for PM and MIP funding, are required to assure adequate financing of the program and to enable HCFA to control its overall expenditures. A Final Administrative Cost Proposal (FACP) is required after the expiration of the FY to form the basis for the audit and final determination of allowable costs. (See §1399 for a list of all budget execution reports due.)

Prepare a narrative identification of unallowable costs for all cost reports in accordance with §§1523 and 1211.B.

1301. COST REPORT FORMS SUPPLY

Copies of all cost reports referred to in the ensuing sections can be obtained from the Contractor Administrative-Budget and Cost Reporting (CAFMI) System.

1302. CONTRACTORS PERFORMING SERVICES FOR OTHER MEDICARE CONTRACTORS

When services such as provider audit, EDP processing, bill processing, and reconsiderations are performed by a Medicare contractor for another Medicare contractor, report costs as subcontract costs. Do not include the productive hours associated with the subcontract costs on the Activity Form. See §1230.

The Blue Cross and Blue Shield Association (BCBSA) performs most of the Plan PRRB appeal activity. However, some Plans still maintain their own Provider Reimbursement Review Board (PRRB) representation and may require BCBSA assistance periodically. If a Blue Cross Plan requests the assistance of the BCBSA in connection with a specific PRRB appeal, BCBSA invoices the Plan for the cost and is paid by the Plan and the standard procedures for reporting costs are followed.

1302.1 Servicing Contractor.--Accrue the costs involved and submit a monthly invoice to the receiving contractor. Submit invoices promptly to permit the receiving contractor to submit its IER on a timely basis. Include adjustments to previous invoices in subsequent invoices. The servicing contractor must have adequate documentation by cost category to support the invoice amount. Do not include these costs in your cost reports.

For provider audit, furnish on a periodic basis, a Contractor Auditing and Settlement Report, Form HCFA-1525A, with the applicable data entered.

1302.2 Receiving Contractor.--Include the invoiced amount as subcontract costs in all appropriate functions and activities on the IER, Contractor Auditing and Settlement Report (CASR), HCFA-1525A, and FACP submitted to HCFA. Include the servicing contractor's name in the Remarks section of the Activity Form. Develop estimates for use in cost reports when the servicing contractor does not submit an invoice in time for inclusion in the cost report.

1303. SPECIAL COST REPORTING ISSUES

Shared system costs and CWF satellite costs for ongoing maintenance, as well as for the other costs of the user groups, e.g., travel, are to be allocated according to the following instructions.

The general rule for allocating costs when more than one Medicare function/activity is affected is to allocate time and cost equitably to the activities benefiting from the related work. There are three generally acceptable approaches for allocating such costs.

- Charge ongoing costs to Activity 11001, Bills/Claims Processing if the work primarily benefits that activity;
- Charge ongoing costs to the activities which benefit from the work, if the benefit can be demonstrated and is documented; or
- If the cost is small and the related work generally benefits all Medicare functions, it may be allocated to all Medicare activities using the same or similar methodology to that stated in §1212.10 on overhead costs. Note that this is not a statement that such costs are an overhead cost, but only that such costs may be allocated in the same or similar manner.

1320. EXHIBIT OF THE CERTIFICATION SCHEDULE FOR THE IER

CONTRACTOR NAME	ADMINISTRATIVE BUDGET AND COST REPORT				IER	CERTIFICATION
ADDRESS LINE 1	MEDICARE CONTRACTORS				EIN:	XXXXXXXXXXXX
ADDRESS LINE 2	INTERIM EXPENDITURE REPORT				ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH:	SUPPLE NO:	
#####	X	XXXX	XXXX	XX	XX	CAFM II

<u>CREDIT ITEM</u>	<u>AMOUNT</u>
Complementary Credit:	<u>XXX,XXX,XXX,XXX</u>
MEDICAID:	<u>XXX,XXX,XXX,XXX</u>
MEDIGAP:	<u>XXX,XXX,XXX,XXX</u>
Total Credits:	XXX,XXX,XXX,XXX
Accrued Credits:	<u>XXX,XXX,XXX,XXX</u>
Total Adjusted Credits:	XXX,XXX,XXX,XXX

PM ACTIVITY SUMMARY BY FUNCTION

<u>CODE</u>	<u>DESCRIPTION</u>	<u>TOTAL COST</u>	<u>TOTAL ADJ. COST</u>
11000	BILLS/CLAIMS PAYMENT		
12000	APPEALS		
13000	INQUIRIES		
14000	PROVIDER EDUCATION/TRAINING		
15000	PARTICIPATING PHYSICIAN		
16000	PROVIDER REIMBURSEMENT		
17000	PRODUCTIVITY INVESTMENTS		
18000	SPECIAL PROJECTS		
19000	MEDICARE PROGRAM ADMIN		
XXXXX	RESERVED		
	CREDITS		
TOTAL			

ADMINISTRATIVE FUNDS DRAWN

<u>DATE</u>	<u>DRAWN FOR</u>	<u>PRIOR</u>	<u>PRIOR</u>	<u>PRIOR</u>
	<u>CURRENT</u>	<u>YEAR</u>	<u>YEAR</u>	<u>YEAR</u>
	<u>YEAR</u>	<u>19XX</u>	<u>19XX</u>	<u>19XX</u>
MM/DD/YYYY				
TOTAL				

I CERTIFY TO THE BEST OF MY BELIEF OR KNOWLEDGE THAT THIS DATA IS ACCURATE, COMPLETE, AND CURRENT AS OF THE DATE OF THE EXECUTION OF THIS CERTIFICATE.

CERTIFYING OFFICIAL _____
 TITLE _____

REMARKS: _____

1321. COMPLETING THE CUMULATIVE INTERIM EXPENDITURE REPORT (IER)

The IER provides cumulative costs for each activity, using the same multiple-use Administrative Budget and Cost Report format referenced in §1211. It adds the Administrative Funds Drawn section to the Certification Schedule as displayed in §1320. Report costs on an "allowable costs" basis in accordance with 48 CFR 52.216-7(b) and on a fully accrued basis including year-end and other adjustments.

Follow these instructions unless you have a contract which contains specific terms and conditions which differ from these instructions. In that case, use these instructions as general guidance only.

IERs will generally be submitted on a monthly basis unless otherwise stated in your contract. Make adjustments, within a FY, to prior interim reports on the subsequent IER. Make adjustments to the October-September IER on the FACP. Submit a revised October-September IER prior to submitting a FACP if the changes are material and the change is discovered prior to preparation of the FACP. (See §1361.) Note all material adjustments.

1321.1 Transmittal and Due Dates.--Transmit the IER via the Contractor Administrative-Budget and Financial Management (CAFM II) System. If the due date falls on a Federal holiday or a weekend, the due date is the next working day. See §1399 for CAFM II IER due dates.

Submit the Contractor Audit and Settlement Report (HCFA-1525A) on a periodic basis as required.

1321.2 Completing the IER.--See descriptions in ' 1212 and as noted below.

1321.3 Hours - Activity Form.--Furnish cumulative, net working (on-duty) hours directly assigned or otherwise allocated to a particular activity in accordance with ' 1223. For computing net working hours for each activity, use working hours within the activity. Deduct the same company-wide paid leave percentage experienced during the month or use paid leave hours, if available. Exclude non-compensated overtime hours. Include or exclude, as appropriate, personnel hours loaned and borrowed by each activity. Include hours worked by temporary help, furnished by outside organizations. The hours to report for temporary help are those incurred by non-employees who are under your direct supervision. (See ' 1212.9P.) Round entries to the nearest hour.

1321.4 Costs and Credits - Activity Form.--Round all costs and credits to the nearest dollar.

1321.5 Net Hours Available - Miscellaneous Schedule.--Enter the number of net cumulative productive hours required to convert total incurred productive hours to equivalent staff-years for the reporting period. See ' 1223.1.

1321.6 Administrative Funds Drawn - Certification Schedule.--This screen is used only with the IER. Report only those draws made during the report month. Reporting of administrative funds drawn is NOT on a cumulative basis. Complete as follows:

- A. Date.--Enter the date the draw is received through Smartlink, not the date requested.
- B. Draw for Current Year.--Enter each draw made during the report month for the current FY.
- C. Prior Year.--Enter any draws made during the report month for prior years under the identified year column.
- D. Total.--CAFM II will calculate the total draws for the month by year. It must agree to the totals reported through Smartlink.

1321.7 Contractor Certification - Certification Schedule.--An authorized official signs and dates the report.

1321.8 Remarks - Activity Form and Certification Schedule.--Add any appropriate remarks including discussion of items reported in Other Adjustments and Forward Funding.

1321.9 Forward Funding.--Projected costs must be reported on the September IER if you have been approved for forward funding of a project.

1321.10 Hard Copy Requirements.--Hard copies of the IER and attachments are not required in the RO or CO. Retain the signed copy in your files.

NOTE: See §1399 for required attachments and due dates.

1330. EXHIBIT OF VARIANCE ANALYSIS

Variance Version 1

CAFM II (4.11.1) PROGRAM MANAGEMENT VARIANCE ANALYSIS REPORT TIME DATE
 SEPTEMBER FISCAL YEAR PAGE 1 OF X
 CONTRACTOR NUMBER / NAME

PM VARIANCE BY ACTIVITY

CODE: 1XXXX DESCRIPTION

	IER	NOBA	VARIANCE	% VAR	TOL %	
COST	_____	_____	_____	_____	_____	NEEDS EXPLANATION
WKLD	_____	_____	_____	_____	_____	NEEDS EXPLANATION
UC	_____	_____	_____	_____	_____	NEEDS EXPLANATION

CODE: 1XXXX DESCRIPTION

	IER	NOBA	VARIANCE	% VAR	TOL %	
COST	_____	_____	_____	_____	_____	NEEDS EXPLANATION
WKLD	_____	_____	_____	_____	_____	NEEDS EXPLANATION
UC	_____	_____	_____	_____	_____	NEEDS EXPLANATION

Variance Version 2

CAFM II (4.11.1) PROGRAM MANAGEMENT VARIANCE ANALYSIS REPORT TIME DATE
 MONTH FISCAL YEAR PAGE 1 OF X
 CONTRACTOR NUMBER / NAME

PM VARIANCE BY ACTIVITY

CODE: 1XXXX DESCRIPTION

	IER	BD	VARIANCE	% VAR	TOL %	
COST	_____	_____	_____	_____	_____	NEEDS EXPLANATION
WKLD	_____	_____	_____	_____	_____	NEEDS EXPLANATION
UC	_____	_____	_____	_____	_____	NEEDS EXPLANATION

CODE: 1XXXX DESCRIPTION

	IER	BD	VARIANCE	% VAR	TOL %	
COST	_____	_____	_____	_____	_____	NEEDS EXPLANATION
WKLD	_____	_____	_____	_____	_____	NEEDS EXPLANATION
UC	_____	_____	_____	_____	_____	NEEDS EXPLANATION

1331. VARIANCE ANALYSIS

The variance analysis consists of two parts. The first part is the CAFM II generated report which shows all variances for the report period and highlights those variances which fall outside established tolerances and require an explanation. Using the data on the generated report, the contractor sends the RO a memo that explains any variance above predetermined tolerance levels.

There are three versions of the variance analysis. Version 1 is created three times during the FY. It shows all year-to-date variances for the report period (IER vs. the approved BD). Version 2 is created with the submission of the September IER. It shows the preliminary end of the year variance (September IER vs. NOBA). Version 3 is created after the submission of the FACP. It shows the final variances (September IER vs. FACP).

1331.1 Transmittal and Due Dates.--Variance reports are required with the IER for the variance periods and with the FACP. (See ' 1399 for due dates.)

1332. EXPLANATION OF REPORTING REQUIREMENTS FOR THE VARIANCE ANALYSIS

1332.1 Reporting Parameters.--HCFA will determine which activity codes at either the activity or function level will need explanations if a tolerance variance level is exceeded. CAFM II has standard reports to identify which activity or function codes are part of the variance analysis, the required reporting period and the specified tolerances for these periods. Based on the codes and tolerances indicated in these reports, the CAFM II generated variance report will indicate which activity codes need explanations.

1332.2 Instructions for Completing the Variance Analysis Explanation Report.--Your explanation must include the reason for the variance and what action is being taken to correct the variance by the next IER, e.g., redirection of efforts, abatement of activities (HCFA approval required), a supplemental budget request, reduction or increase in staff, or temporary workload backlog. Statements such as "We have exceeded the variance tolerance because adequate funds were not provided by HCFA in the budget approval" are neither responsive nor acceptable. All variances between the September IER and the FACP must be explained as defined in ' 1362.

A. Identify the month and FY of the report.

B. For each activity cost or workload that exceeds the tolerance percentage as indicated in CAFM II, in your narrative explanation to the RO complete the following:

- Enter the code number and name for the function or activity.
- Enter the variance percentage as displayed in CAFM II, and
- Enter the explanation of the variance.

C. Submit narrative explanations to the RO via electronic media. Specific instructions on the type of word processing package to use can be obtained from your RO.

1333. FISCAL YEAR OVER EXPENDITURES -- OCTOBER-SEPTEMBER IER

Your contract with HCFA requires staying within approved budget amounts and levels of certified funds. Analyze your financial position in order to advise HCFA, in a timely manner, of any anticipated significant deviations. In the event the administrative costs reported in the October-

September IER exceed the total approved budget, furnish documentation justifying the over expenditure to your RO with a copy to CO. The request for funding will not necessarily be approved.

HCFA reviews justifications for adequacy and, where appropriate and if funding is available, issues a revised NOBA which enables you to draw additional funds. The RO may advise you that consideration of a budget revision is postponed until the FACP is received and analyzed, e.g., where the amount of the overexpenditure is relatively minor or where you have not justified the overexpenditure. This does not adversely affect the claim for the funds.

1340. CONTROL OF ADMINISTRATIVE FUNDS DRAWN

The approval of funds is limited by the funding level approved by Congress. Draw funds to the lower of the cumulative quarterly distribution certified on the NOBA or the amount expended and reported on the IER or FACP. Draw administrative funds during the period in line with expenditures. Funds drawn during the subsequent month must be adjusted for administrative funds drawn in excess of actual costs reported.

1351. BUDGET AMOUNT APPEARS INSUFFICIENT

A. Submission of SBR--Submit an SBR whenever it appears that the budgeted amount is insufficient to adequately perform the required functions and the need for additional funds can be adequately documented. As a general rule, submit the SBR no later than 90 days prior to the exhaustion of funds so as to allow HCFA sufficient time to respond prior to the need to submit an abatement notice. (See B below.) The SBR should never be submitted less than 60 days prior to the exhaustion of funds unless it can be demonstrated that it could not have been given in advance. Resolution of the SBR may include:

- An increase in the budget;
- Institution of additional efficiencies;
- A reduction of functions to be performed; or
- Other ways and means agreeable to both parties.

Discuss these alternatives in the SBR and, if after negotiating in good faith, there is no satisfactory resolution, HCFA will send a written rationale denying all or part of the SBR.

B. Abatement Notice--Submit a written abatement notice to the RO no less than 60 days prior to the date on which it appears that the budgeted amount is insufficient to adequately perform the required functions in accordance with the Cost of Administration Article in the Contract/Agreement.

1361. COMPLETING THE FINAL ADMINISTRATIVE COST PROPOSAL (FACP)

Prepare the FACP allocated by PM and MIP funds. Include all Medicare costs incurred during the FY or other period as mutually agreed upon. Do not include adjustments related to prior years' costs on the current FACP. Include them as an amendment to the FACP for the year affected.

The report is the final allocation of all direct and indirect costs including adjustments to previously reported costs. It represents the final claim and serves as the basis for audit and final settlement of allowable costs.

1361.1 Transmittal and Due Date.--Submit the complete FACP consisting of the Activity Forms with all attachments and supporting schedules (See §§1361.7 and 1362) 3 months after the end of the FY (i.e., December 31). If HCFA has approved projects for forward funding, then supplemental FACP's should be submitted. If the due date falls on a Federal holiday or a weekend, the due date is the next working day. Transmit the Activity Form data for the FACP electronically on the CAFM II System. Forward a signed hardcopy to the RO and CO. Address the CO hardcopy FACP to:

Health Care Financing Administration
Division of Accounting, OFM
7500 Security Boulevard
Baltimore, MD 21244-1850

See §1399 for transmission deadlines.

NOTE: After submission of the September cost report but prior to submission of the FACP, continue to draw funds for costs incurred not to exceed the total budget. Once the FACP is submitted, additional draws shall not be made until the contractor is liable for payment (forward funded items). Supplemental FACP's shall be submitted no later than 30 days after the close of each subsequent quarter, until all projects are completed, but not later than 30 days after the close of the subsequent FY when these funds expire.

1361.2 Activities.--Descriptions of these items are in §1213.

1361.3 Hours (Hours Fields of the Activity Form).--Enter hours as developed using instructions in §1321.3. Round entries to the nearest hour.

1361.4 Costs (Cost Item Fields of the Activity Form).--Enter costs and credits as in §1321.4. Round entries to the nearest dollar.

1361.5 Forward Funding.--Projected costs must be reported on the FACP if you have been approved for forward funding of a project.

1361.6 Workload (Workload Field 1 of the Activity Form).--Enter the workloads for the period. (See §1212.9.O.)

A. Remarks.--Use for any additional comments and to reference attachments.

B. Net Hours Available.--On the Miscellaneous Screen enter the number of net productive hours required to convert total productive hours to equivalent staff-years for the reporting period. (See §1223.)

1361.7 Exhibit of Credit Schedule Attachment to the Cost Classification Report.--

CONTRACTOR NAME		ADMINISTRATIVE BUDGET AND COST REPORT	FACP	COB
ADDRESS LINE 1		MEDICARE CONTRACTORS	EIN: XXXXXXXXXXXXX	
ADDRESS LINE 2		FINAL ADMINISTRATIVE COST PROPOSAL	ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR: REPORT YR: MONTH:	SUPPLE NO:	
#####	X	XXXX XXXX XX	XX	CAFM II

COORDINATION OF BENEFIT SCHEDULE

TRANSFEREE NAME	TRANS TYPE	FREQ TRANS	NO. CLAIMS TRANSFERRED	CREDIT RECEIVED (INCL TRNSF COST)	UNIT COST	CREDIT CODE
XXXXXXXXXXXXXXXXXX	XXXX	XXX	_____	_____	XX.XX	X
XXXXXXXXXXXXXXXXXX	XXXX	XXX	_____	_____	XX.XX	X
XXXXXXXXXXXXXXXXXX	XXXX	XXX	_____	_____	XX.XX	X
XXXXXXXXXXXXXXXXXX	XXXX	XXX	_____	_____	XX.XX	X
XXXXXXXXXXXXXXXXXX	XXXX	XXX	_____	_____	XX.XX	X
XXXXXXXXXXXXXXXXXX	XXXX	XXX	_____	_____	XX.XX	X
XXXXXXXXXXXXXXXXXX	XXXX	XXX	_____	_____	XX.XX	X
XXXXXXXXXXXXXXXXXX	XXXX	XXX	_____	_____	XX.XX	X
	TOTAL		_____	_____		

REMARKS:

1361.8 Completing the Credit Schedule Attachment to the Cost Classification Report.--See §1217 for descriptions of credits.

The credit schedule supports the Cost Classification Report (HCFA-2580) attachment to the FACP.

A. Transferee Name.--List the insurers to whom claims are being transferred for complementary insurance (including both internal and external transfers), Medicaid, and Other.

B. Transfer Type.--The method of transfer (electronic or hard copy).

C. Frequency.--Indicate whether the transfer is an occasional request or by agreement for ongoing transfer.

D. Number of Claims Transferred.--The number of claims transferred to complementary insurers (including both internal and external transfers), Medicaid, and Other.

E. Credit Received (Including Transfer Costs).--The total credit received, including transfer costs, for claims transferred to complementary insurers (including both internal and external transfers), Medicaid, and Other. The total credit received for complementary, Medicaid, and other must agree with the totals on the Preliminary Data Entry Screen.

F. Unit Cost.--The credit received divided by the number of claims transferred.

G. Credit Code.--Indicate the type of transfer:

- C = Complementary Insurance;
- N = Medicaid; or
- O = Other.

1362. SUPPORTING DOCUMENTATION FOR THE FACP

If there are any variances between the September IER and the FACP, e.g., charges or credits or other adjustments that may have been received after the close of the FY, prepare a detailed narrative explanation. If total costs claimed are more than the NOBA for the FY, include a justification for the additional requested funds. (See §§1351 and 1261.1.)

The RO reviews the narrative justification for adequacy and may, where appropriate, issue a revised NOBA, allowing the drawing of additional funds. (See §1261.1.)

If costs claimed on the FACP are less than the administrative funds drawn, make an adjustment to current cash draws for administrative costs to reduce funds drawn for the applicable fiscal period.

Include the attachments in §1399 as supporting documentation for the FACP.

1380. FINANCIAL PROCEDURES FOR RELEASE OF MEDICARE INFORMATION TO THE PUBLIC

Costs incurred for releasing Medicare information to the public should be reported on the IER and the FACP.

1381. **FINANCIAL PROCEDURES RELATED TO MEDICARE PROJECTS FUNDED BY HHS COMPONENTS OTHER THAN HCFA**

Requests may be received to furnish information and/or perform Medicare services by HHS components other than HCFA, or from other third parties under contract with other HHS components. Handle charges for such services in accordance with the following instructions.

1381.1 **Release of Existing Medicare Information.**--If an outside organization has a contract/grant with a HHS component other than HCFA to carry out independent studies or projects and requests existing data and/or specific records for purposes of aiding the study, do not charge the outside organization.

1381.2 **Development of Additional Data.**--

A. **Outside Organizations.**--If an outside organization requests data which must be developed or requests other services, invoice such services to the organization and do not include those costs on the IER or FACP.

B. **HHS Components Other Than HCFA.**--When receiving requests from HHS components, other than HCFA, to perform services on various studies, invoice directly to the requesting HHS component and do not include these costs on the IER or FACP.

1382. **SPECIAL ONE-TIME COSTS ASSOCIATED WITH NON-CONTINUATION OF THE MEDICARE CONTRACT**

Special one-time costs associated with a contractor leaving the program are not handled through the normal budget and cost reporting process. Instead, these costs, which may include severance pay for employees or penalty payments for terminating contracts, are handled through a separate voucher process subsequent to submission and approval of a budget request. The voucher should state the period of time covered and itemize the expenses. HCFA reviews the voucher and determines whether payment should be made. Approved vouchered costs are paid separately by check or EFT and not through the NOBA process.

1399. BUDGET EXECUTION CHECK LIST FOR PROGRAM MANAGEMENT AND
MEDICARE INTEGRITY PROGRAM

<u>FORM NAME</u>	<u>DUE DATE</u>
<u>Interim Expenditure Report</u> —Activity Forms (with following attachments)	20 days after end of reporting month
Miscellaneous Schedule Special Project Schedule (if applicable) Certification Schedule	
CASR (HCFA-1525A)	30 days after end of 3 rd , 5 th , 8 th , 12 th fiscal month
Audit Selection Criteria Report	27 days after end of 12 th fiscal month
Variance Analysis (Narrative)	27 days after end of Variance month, 4 periods Annually
<u>Final Administrative Cost Proposal</u> —Activity Forms (with following attachments)	3 months after end of FY—quarterly thereafter as needed
Miscellaneous Schedule Special Project Schedule Certification Schedules Credit Schedule Cost Classification Report Narrative Explanation of FACP/IER Differences	