

U.S. DEPARTMENT OF COMMERCE
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U.S. PUBLIC HEALTH SERVICE
CENTERS FOR DISEASE CONTROL AND PREVENTION
NATIONAL CENTER FOR HEALTH STATISTICS

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**DEFINITION BOOKLET FOR COMPLETING
THE EXPENSE QUESTIONNAIRE
NATIONAL NURSING HOME SURVEY**

1. PAYROLL EXPENSE

a. Wages and Salaries

Wages and salaries are generally defined as gross earnings paid an employee including payment for annual and sick leave, overtime, bonuses and other remuneration of a payment nature received by the employee. The wages and salaries represent the amount earned and reported to the Internal Revenue Service on his or her W-2 statement. Self-employed proprietors, while not salaried as employees, are to be included in this definition in the amount reported on the tax return as self-employed salary.

Employee salaries and wages, by the above definition, exclude payments for professional or nonprofessional services obtained under contract, or fees paid doctors on a fee-for-service basis. Also excluded from Wages and Salaries are Fringe Benefits as defined in 1b (Payroll Taxes and Fringe Benefits) on the next page.

Non-funded employee benefits such as meals and living quarters, if provided an employee, and considered a part of the gross salary received, are to be included in gross wages and salaries.

Wages and salaries are to be reported on the gross basis, without deductions for employee's contribution to FICA, Federal and State taxes, and other deductions from an employee's gross wages and salaries.

Any employee who spends 75 percent or more of his time in any one of the four areas mentioned below should have all of the wage and salary compensations charged to that expense category. Further allocation is acceptable if it is a feature of your accounting system.

(1) Nursing Staff Payroll Expense

Nursing staff payroll expense is defined as the total wage and salary compensation given those employees who administer nursing care to patients.

This category includes registered nurses, licensed practical nurses, nurse's aides, orderlies, and student nurses.

(2) Physicians, Other Professionals and Semi-Professionals Payroll Expense

Physicians, other professionals, and semi-professional payroll expense is defined as wage and salary compensation given those professional and semi-professional employees who provide health care services to patients.

This category includes physicians, psychiatrists, dentists, pharmacists, optometrists, therapists, dieticians, psychologists, podiatrists, audiologists, medical social workers, medical record administrators, medical and dental technicians, X-ray and laboratory assistants, and all others providing health care services to patients.

(3) Dental Staff Payroll Expense

Dental staff payroll expense is defined as the total wages and salary compensation given those employees who administer dental care to patients.

This category includes dentists, dental hygienists, dental students, and dental aides and assistants.

(4) All Other Staff Payroll Expense

All other staff payroll expense is defined as wage and salary compensation given all employees not specifically categorized in (1), or (2) or (3) above, (i.e., those not involved in providing health care services to patients.)

This category includes the administrator and assistant administrators as well as clerical, bookkeeping, and other office staff; food service, housekeeping, and maintenance personnel.

1b. Payroll Taxes and Fringe Benefits

Payroll taxes and fringe benefits are expenses incurred by the facility for the current and future benefit of facility employees. These expenses, not added to the wages and salaries of the employees, include such items as group health insurance, hospitalization, employer's portion of FICA, Federal and State Unemployment Insurance, and life insurance premiums (exclusive of premiums paid (a) where the facility is the beneficiary or (b) on the life insurance of the proprietor/owner).

Excluded from this cost category are payments for vacation, maternity and sick pay, terminal payments, employee's share of FICA, and living facilities provided employees where such facilities are established for the benefit of the home.

2. HEALTH CARE SERVICES PURCHASED FROM OUTSIDE SOURCES

a. Nursing Services

This category includes the cost of those services provided by RN's, LPN's, nurses' aides, orderlies, student nurses, and other nursing personnel which were purchased by the facility from outside sources by contract or other arrangements.

Exclude those nursing services purchased directly by the resident from outside sources and the services of psychiatric nurses.

b. Dental Services

This category includes the cost of those services provided by dentists, dental hygienists and other dental personnel which were purchased by the facility from outside sources by contract or other arrangements.

Exclude those dental services purchased directly by the resident from outside sources.

c. Mental Health Care Services

This category includes the cost of those services provided by mental health workers purchased by the facility from outside sources by contract or other arrangements. Mental health workers include psychiatrists, psychologists, psychiatric/clinical social workers, and psychiatric nurses.

d. Other Health Care Services

This category includes the cost of those services provided by medical professionals and semi-professionals not included in definitions 2a, b, and c above purchased by the facility from outside sources by contract or other arrangements.

Exclude the cost of those professional and semi-professional health care services purchased directly by the resident from outside sources.

3. EQUIPMENT RENT

Charges to this category include the rental or leasing of furniture, typewriters, computers, X-ray machines or other forms of equipment. Exclude from this category all lease purchase agreements and deferred payment plans on the purchase of equipment. These latter type purchases will be treated through the Depreciation Cost Category (expense category 9.)

4. INSURANCE

Insurance is defined as the cost of premiums for policies necessary to the normal operation of nursing homes.

These charges include fidelity bonds, fire and extended coverage, malpractice, property and bodily injury liability, and automobile insurance where transportation is included as a service of the facility.

Exclude insurance paid for the benefit of employees, such as employee life or group hospitalization, as well as key man life insurance. See definition of expense category 1(b) for distribution of employee benefit insurance paid. If the home's accounting system is on the accrual basis, exclude any prepaid costs and include only the premiums on the current year's portion.

5. TAXES AND LICENSES

This category includes licenses obtained for the right to do business and taxes on real estate, personal property, excise and business franchise taxes.

All federal and state taxes on the *income of the facility* are to be included as tax and license expenses. Amounts remitted to Federal, State, county, and local governments for *income taxes withheld from wages and salaries* must be excluded.

6. INTEREST AND FINANCING CHARGES

These charges include amounts of interest on notes payable, mortgages payable, long-term purchase agreements, or other forms of indebtedness. The initial cost of financing or refinancing a loan, however, is to be excluded as an extraordinary cost not related to the normal cost of providing health service. Also to be excluded from this expense category are placement fees on loans and costs related to penalty clauses on early retirement of mortgages or other loans.

Penalties paid to Federal, State, county, or local governments for improper filing of tax or information returns should be excluded.

7. RENT ON BUILDING AND LAND

Rent on building and land is defined as all costs incurred for space occupied pursuant to leases or rental agreements.

Included in this category is the cost of all buildings or real estate rented or leased by the home.

Charges to this category should exclude lease-purchase agreements and payments made on a mortgage covering the building or land.

8. AMORTIZATION OF LEASEHOLD IMPROVEMENTS

Amortization of leasehold improvements is defined as the write-off of improvements to leased premises over the remaining life of the lease or the useful life of the improvement, whichever is shorter.

Improvements to leased premises which have a remaining lease or useful life of one year or less should be expensed directly when incurred.

Included in this category are improvements to leased premises such as wall partitions, permanent counters and cabinets, tile floors and wall coverings, and plumbing fixtures.

9. DEPRECIATION CHARGES

Depreciation is defined as the distribution of the cost of tangible capital assets, less salvage (if any), over the estimated life of the asset.

Charges to this category should exclude amortization as defined in expense category 8.

Tangible capital assets, currently being purchased under a lease-purchase agreement, are to be depreciated rather than treated as a rental payment. Exclude from this category any equipment of a nominal amount expensed in Equipment (cost category 12).

10. FOOD AND OTHER DIETARY ITEMS

This account includes food and other dietary items purchased for preparation on the home's premises as well as the cost of meals purchased from hospitals or other outside services whether or not under contract.

Where food inventories are maintained, the cost of food consumed will be the basis for the recording of cost (inventory at beginning of year plus purchases, less ending inventory). Freight and sales taxes, whether included in the purchase, or as a separate item (freight only), are to be charged to the cost of food and dietary items, rather than to be charged to "Taxes and Licenses" (sales tax) or "Other and Miscellaneous Expense" (freight).

This cost category excludes costs related to the serving of meals, such as food and menu preparation (wages) and kitchenware and dishes (supplies). It also excludes the cost of meals which are non-funded employee benefits and were included as part of the gross salaries in Item 1.

11. DRUG EXPENSES

Drug expenses represent the cost of drugs consumed out of inventory or purchased for patients and resold to them. Drugs not under inventory control will be considered expensed when purchased.

For purposes of this definition, drugs include both prescription type medicines as well as non-prescription items such as aspirin, laxatives, and vitamins. Excluded from this definition are such non-medicine items as cotton, bandages, syringes, and other items which do not meet the common definition of drugs, and are categorized under supplies, item 12, below.

Recognizing that medical supplies may be co-mingled in the cost account with drug items, an allocation technique may be adopted for the purposes of determining the separate cost of drug expenses.

The cost of drugs includes freight costs as well as sales taxes added to the purchase price of drugs.

Drug cost is not to be reduced by revenues from patients whether sold out of the nursing home inventory or purchased specifically for their use.

12. SUPPLIES AND EQUIPMENT

a. Supplies

Includes the purchase of all supplies exclusive of drug supplies (see 11.) and food and other dietary items (see 10).

Supplies include, but are not limited to, supplies used in food preparation and serving (dishes, kitchen ware, paper supplies, etc.) office supplies, medical supplies such as bandages, laundry, linen and blanket supplies, uniforms, the purchase of minor equipment (staplers, ash trays, etc.) classified as supplies, and repair and maintenance supplies and parts (cleaning supplies, light bulbs, small tools, etc.).

Usually, supplies of the nature of those classified for inclusion in this cost category are not maintained under inventory control except as a minimum level which may be used as a re-order point. The accounting system of the home will dictate whether these costs will be developed on a "delivery basis" or on an "issued" basis. Either method is acceptable.

b. Equipment

Includes the purchase of items classified as equipment, but because of the nominal cost or nature of the items, they are not capitalized.

Equipment in this grouping include, but are not limited to medical equipment, furniture and fixtures of a nominal value not maintained under asset control, repair and maintenance equipment, kitchen equipment, and administrative equipment.

All equipment purchased specifically for sale to a patient, regardless of the cost or nature of the purchase, is to be included in this category. The revenues derived from the sale of the equipment to the patients will not be credited as an offset to the cost recorded in Supplies and Equipment.

Exclude from this category any equipment which is being depreciated in cost category 9.

13. PURCHASED MAINTENANCE OF BUILDINGS, GROUNDS, AND EQUIPMENT

This cost grouping includes the costs of purchasing from outside sources; elevator maintenance, equipment or appliance maintenance, ground maintenance, plumbing maintenance, electrical systems maintenance, and similar type services. Also included are the costs of trash removal, exterminator services, cleaning services, and other housekeeping services when purchased from outside sources.

Purchased maintenance of building, grounds, and equipment, as classified in this cost category, excludes services for this function provided by the home's staff. The home's personnel costs for these services are to be charged to 1.a.(4), Wages and Salaries – All Other Staff Payroll Expense.

14. PURCHASED LAUNDRY AND LINEN SERVICES

This account relates to the cost of outside service only, rather than the cost of purchasing linens, towels, blankets, uniforms, etc. This cost may or may not be under a service contract and may include the rental cost of the supplies provided under a contract.

Laundry and linen expense, as classified in this cost category, excludes services for this function provided by nursing home staff. Personnel costs for this service are to be charged to 1.a.(4), Wages and Salaries – All Other Staff Payroll Expense.

Charges for laundry or linen lost or damaged by the nursing home under a service-rental agreement are to be reflected in this grouping.

15. UTILITIES

Utilities are defined as charges for telephone and telegraph, gas, fuel, oil, water, and electricity.

Charges to this category should exclude any utility charges, such as telephone, that are paid directly by patients or employees or charges that are paid by the lessor under the lease agreement.

16. OTHER AND MISCELLANEOUS EXPENSES

This expense category is a catchall to record all costs not classified in 1 through 15 above. Costs included in this grouping are dues and subscriptions, printing costs, advertisements, travel costs, automobile expenses, non-classified medical and non-medical fees (example - audit and legal fees), postage and casual labor not charged to other expense categories.

17. TOTAL EXPENSES

This is the total of all expense categories 1 through 16.

18. TOTAL REVENUES**A. Patient Care Revenues****(1) Public Payments**

This group includes payments from Medicare, Medicaid, and other public assistance or welfare programs for routine or ancillary health care services.

- a. Payments from Medicaid for routine or ancillary health care services.
- b. Payments from Medicare for routine or ancillary health care services.
- c. Payments from all other public assistance or welfare programs for routine or ancillary health care services. This category includes payments made by state funded indigent care programs not included in (1)a. above.

(2) Private Payments

This group includes payments from private sources and other patient revenues for routine or ancillary health care services.

B. Nonpatient Revenues

This group includes financial contributions, grants and subsidies received from churches, foundations, voluntary agencies, government agencies, and similar groups for general operating purposes. It also includes all other sources of revenue not directly related to patient health care such as beautician/barber services, vending machine concessions, charges for services rendered to guests (e.g., room and board), luncheonettes, etc., as well as any revenues received in the form of interest, dividends and capital gains.

C. Total Revenues

This is the total of 18A and 18B.