

129-10-27. Central office costs. (a) Allocation of costs. Allocation of central office costs shall be reasonable, conform to general accounting rules, and allowed only to the extent that the central office is providing a service normally available in the nursing facility. Central office costs shall not be recognized or allowed to the extent that they are unreasonably in excess of the central office costs of similar nursing facilities in the program. The burden of furnishing sufficient evidence to establish a reasonable level of costs shall be on the provider. All expenses reported as central office costs shall be limited to the actual resident-related costs of the central office.

(1) The provider shall report cost of ownership or the arm's-length lease expense, utilities, maintenance, property taxes, insurance, and other plant operating costs of the central or regional office space for resident-related activities report as central office costs.

(2) The provider shall report all administrative expenses incurred by central and regional offices as central office costs. These may include the following:

- (A) Salaries;
- (B) benefits;
- (C) office supplies;
- (D) printing, management, and consultant fees;
- (E) telephones and other forms of communications;
- (F) travel and vehicle expenses;
- (G) allowable advertising;
- (H) licenses and dues; and
- (I) legal, accounting, data processing, insurance, and interest expenses.

The administrative expenses reported as central office costs shall not be directed to individual facilities operated by the provider or reported on any other line of the cost report.

(3) Nonreimbursable costs in K.A.R. 129-10-23a, costs allowed with limitations in K.A.R. 129-10-23b, and the revenue offsets in K.A.R. 30-10-23c shall apply to central office costs.

(4) Estimates of central office costs shall not be allowable.

(b) Central office salary and other limitations.

(1) Salaries of employees performing the duties for which they are professionally qualified shall be allocated to the direct health care cost center or the indirect health care cost center as appropriate for the duties performed. Professionally qualified employees shall include licensed and registered nurses, dietitians, and others that may be designated by the agency.

(2) Salaries of chief executives, corporate officers, department heads, and other employees with ownership interests of five percent or more shall be deemed owner's compensation, and the provider shall report these salaries as owner's compensation in the operating cost center.

(3) The provider shall include the salary of an owner or related party performing a resident-related service for which the person is professionally qualified in the appropriate cost center for that service, subject to the salary limitations for the owner or related party.

(4) The provider shall report salaries of all other central office personnel performing resident-related administrative functions in the operating cost center.

(5) Each provider operating a central office shall complete and submit detailed schedules of all salaries and expenses incurred in each fiscal year. Failure to submit detailed central office expenses and allocation methods shall result in an incomplete cost report. The provider shall submit methods for allocating costs to all facilities in this and any other states.

(6) A central office cost limit may be established by the agency within the overall operating cost center upper payment limit.

(7) The provider may allocate and report bulk purchases by the central office staff in the appropriate cost center of each facility if sufficiently documented.

Questionable allocations shall be transferred to the central office cost line within the operating cost center. (Authorized by K.S.A. 2007 Supp. 75-7403 and 75-7412; implementing K.S.A. 2007 Supp. 75-7405 and 75-7408; effective Sept. 19, 2008.)