

**State of Wyoming Departments of Family Services, Education and Health (Medicaid)  
Psychiatric Residential Treatment Facility, Residential Treatment Center, Group Home and  
BOCES Cost Report Instructions  
Appendix B – Standard Cost Allocation Methods**

**Overview**

The Wyoming Department of Family Services (DFS), Department of Education (WDE) and Department of Health (Medicaid), collectively referred to as the Departments, require that Psychiatric Residential Treatment Facility (PRTFs), Residential Treatment Centers (RTCs), group homes and Boards of Cooperative Educational Services (BOCES) facilities that treat Medicaid, DFS or WDE clients file cost reports annually. The Departments use this cost report to gather uniform financial data and on the operations of PRTF, RTC, group home and BOCES services.

One of the Departments' objectives in collecting these data is to more accurately understand provider allowable costs and revenues by category of service. To help achieve this understanding, in the cost report Schedule 1, providers are required to report total provider costs from the general ledger and identify non-allowable costs. Providers are then required to reclassify costs from one cost report line to another if the cost item fulfills a function other than the initial cost report line description. For example, if an Executive Director who provides administration services also provides hands-on direct care, the employee's salary and wages should be allocated to the appropriate cost report lines.

Once total net allowable and reclassified costs have been determined, providers are required to assign costs into the following service categories:

- *Room and Board* (Column 7): Expenses related to residential services covered by DFS and Wyoming Medicaid, including food, clothing, building and maintenance expenses, as well as the salary expenses of personnel who provide occupancy and maintenance services. Room and Board does not include the costs associated with the observation of residents performed by the line staff.
- *Non-Licensed Observation and Support* (Column 8): Salaries and supplies expenses related to the observation, supervision and support of residents by non-licensed line staff. It is assumed that some on-going counseling is performed by the line staff as a component of resident observation and support. Additional services (e.g., psychoanalysis) provided by licensed therapists would not be included in this cost category, and should be assigned to the Licensed Therapies column.
- *Licensed Therapies* (Column 9): Salaries and supplies expenses related to medical, psychological and counseling treatment services beyond normal residential services that are provided by licensed staff. Licensed therapy expenses include salary expenses of licensed staff who support the treatment of residents.

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- *Education* (Column 10): Expenses related to instructional services covered by WDE, including materials, supplies and salary expenses of personnel who support the education of residents.

To report costs by service category, providers should make an effort to directly assign or track their allowable expenses by service category in their accounting books and records, using those direct assignments to complete the cost report. If providers are unable to directly assign and track costs internally for purposes of completing the cost report, they must use the standard allocation methods prescribed by the Departments, as described in the following table.

If the provider can demonstrate to the Departments that one or all of the allocation methods described in this document will result in reporting costs that do not reasonably reflect the actual costs of providing services in a service category, the provider may propose the use of alternative allocation methodologies to the Departments, in writing. However, such alternative methodologies should not be used unless approved in advance by the Departments. To receive approval from the Departments for an alternative methodology, the provider must demonstrate that the alternative method results in a more reasonable estimate of the actual costs of services by service category, and that the method will provide for consistent allocation and reporting for future reporting periods.

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<b>SALARIES AND WAGES</b>	Allocation based on a study of actual time spent for a sample period, or time survey for a sample period.	<ul style="list-style-type: none"> <li>• The provider may conduct a study to determine the percentage of time spent for each type of service for each type of employee and contractor. This study may be based on a representative sample of employees within each of the employee categories specified in the cost report. Internal activity logs (for example, logs used for billing purposes), if available, may be used as a source for purposes of such a study.</li> <li>• Providers may also conduct a short-term (e.g., over a two-week period) employee survey to develop a reasonable estimate of the percentage of time spent providing the different types of services. Such a survey should be completed for each employee category used by the provider in the cost survey. If two weeks does not capture a year’s mix of services, a longer survey period may be necessary. We suggest that providers show the results of the time survey to employees to test for reasonableness.</li> <li>• Under either the study or survey approach, the sample period must be selected in such a way that prevents bias created by unusual or non-representative service provision or client loads.</li> </ul>
<p><b>Direct Care Employee Salaries</b>                      Direct Care Employee Salaries include the following:</p> <ul style="list-style-type: none"> <li>– Non-licensed Support Staff (line 5)</li> <li>– Non-licensed Support Staff Supervisor Salaries (line 6)</li> <li>– Occupational Therapy Salaries (line 7)</li> <li>– Physical Therapy Salaries (line 8)</li> <li>– Speech Therapy Salaries (line 9)</li> <li>– Recreation Salaries (line 10)</li> <li>– Nurse Salaries (line 11)</li> <li>– Psychiatrist Salaries (line 12)</li> <li>– Psychologist Salaries (line 13)</li> <li>– Social Worker (MSW, LCSW) Salaries (line 14)</li> <li>– Other Master-level Therapist or Counselor (line 15)</li> <li>– Other Direct Care Employee Salaries (line 16)</li> </ul>		

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<p><b><u>Education Employee Salaries</u></b>                      Education Employee Salaries include the following:</p> <ul style="list-style-type: none"> <li>– Teacher Salaries (line 20)</li> <li>– Special Education Certified Teacher Salaries (line 21)</li> <li>– Aide or Paraprofessional Salaries (line 22)</li> <li>– Principal / Director of Education Salaries (line 23)</li> <li>– Other Education Salaries (line 24)</li> </ul>	<p>Allocation based on a study of actual time spent for a sample period, or time survey for a sample period.</p>	<ul style="list-style-type: none"> <li>• The allocation percentages developed by this allocation method may be carried forward to future periods, to the extent that the provider’s client mix does not significantly change over time. The Departments may monitor the provider’s service mix based on service billings to determine if allocation methods should be updated.</li> <li>• These ratios should be applied to the Direct Care Employee Salaries lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• See description provided in the Direct Care Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Education Employee Salaries lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<p><b><u>Administration Office Employee Salaries</u></b>                      Administration Office Employee Salaries include the following:</p> <ul style="list-style-type: none"> <li>– Executive Director / Assistant Director Salaries (line 28)</li> <li>– Employee Owners / Board Members Compensation (line 29)</li> <li>– Clinical Director Salaries (line 30)</li> <li>– Professional Administrative Staff Salaries (line 31)</li> <li>– Clerical and Secretarial Staff Employee Salaries (line 32)</li> <li>– Information Technology Employee Salaries (line 33)</li> <li>– Central Office Administration Employee Salaries (line 34)</li> <li>– Other Administration Employee Salaries (line 35)</li> </ul>	Direct Care Expense Ratio	<ul style="list-style-type: none"> <li>• The provider may allocate Administration Office Employee costs using the Direct Care Expense Ratio for each service category. The Direct Care Expense Ratio is calculated by dividing the sum of total net allowable and reclassified Direct Care Employee, Education Employee, Contracted Direct Care Services and Contracted Education Services costs for each category of service by the sum of total net allowable and reclassified Direct Care Employee, Education Employee, Contracted Direct Care Services and Contracted Education Services costs. The formulas for each service category are as follows:                             <ul style="list-style-type: none"> <li>– Room and Board Direct Care Expense Ratio:                                      (Sum of Lines 17, 25, 87 and 95 from Column 7) /                                      (Sum of Lines 17, 25, 87 and 95 from column 6)</li> <li>– Non-Licensed Observation and Support Direct Care Expense Ratio:                                      (Sum of Lines 17, 25, 87 and 95 from Column 8) /                                      (Sum of Lines 17, 25, 87 and 95 from column 6)</li> <li>– Licensed Therapies Direct Care Expense Ratio:                                      (Sum of Lines 17, 25, 87 and 95 from Column 9) /                                      (Sum of Lines 17, 25, 87 and 95 from column 6)</li> </ul> </li> </ul>

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<b><u>Occupancy and Food Service Employee Salaries</u></b>	Direct Care Expense Ratio	<ul style="list-style-type: none"> <li>- Education Direct Care Expense Ratio: (Sum of Lines 17, 25, 87 and 95 from Column 10) / (Sum of Lines 17, 25, 87 and 95 from column 6)</li> <li>• Direct Care Expense Ratios should be applied after allocations are made for Direct Care Employee, Education Employee, Contracted Direct Care Services and Contracted Education Services costs.</li> <li>• These ratios should be applied to the Administration Office Employee Salaries lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul> <hr/> <ul style="list-style-type: none"> <li>• See description provided in the Administration Office Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Occupancy and Food Service Employee Salaries lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>
Occupancy and Food Service Employee Salaries include the following: <ul style="list-style-type: none"> <li>- Occupancy and Maintenance Staff Salaries (line 39)</li> <li>- Food Service Salaries (line 40)</li> <li>- Other Occupancy and Food Service Employee Salaries (line 41)</li> </ul>		

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<b>EMPLOYEE TAXES, INSURANCE, AND BENEFITS</b>		
<p><b><u>Employee Payroll Taxes</u></b>                      Payroll Taxes includes the following:</p> <ul style="list-style-type: none"> <li>– FICA (line 49)</li> <li>– FUI (line 50)</li> <li>– SUI (line 51)</li> <li>– Workers Compensation (line 52)</li> <li>– Other Payroll Taxes (line 53)</li> </ul>	<p>Employee Salaries and Wages Expense Ratios</p>	<ul style="list-style-type: none"> <li>• The provider may allocate Employee Payroll Taxes based on the ratio of Employee Salaries and Wages by service type to total provider Employee Salaries and Wages. These ratios should be calculated by dividing total net allowable and reclassified Employee Salaries and Wages (line 44) for each service category (columns 7 through 11) by total net allowable and reclassified Employee Salaries and Wages (line 44, column 6). Calculation of these ratios should be done after all other allocations are completed, and should be based on costs that include all other allocated amounts.</li> <li>• These ratios should be applied to the Employee Payroll Taxes lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<p><b><u>Employee Insurance</u></b>                      Employee Insurance includes the following:</p> <ul style="list-style-type: none"> <li>– Employee Health Insurance (line 57)</li> <li>– Employee Dental Insurance (line 58)</li> <li>– Employee Life Insurance (line 59)</li> <li>– Employee Short-term and Long-term Disability Insurance (line 60)</li> <li>– Client Fringe Benefits (line 61)</li> <li>– Total Employee Insurance (line 62)</li> </ul>	<p>Employee Salaries and Wages Expense Ratios</p>	<ul style="list-style-type: none"> <li>• See description in the Employee Payroll Taxes section of this document.</li> <li>• These ratios should be applied to the Employee Insurance lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>
<p><b><u>Employee Other Benefits</u></b></p> <ul style="list-style-type: none"> <li>– Retirement (line 66)</li> <li>– Other Benefits (line 67)</li> </ul>	<p>Employee Salaries and Wages Expense Ratios</p>	<ul style="list-style-type: none"> <li>• See description in the Employee Payroll Taxes section of this document.</li> <li>• These ratios should be applied to the Employee Other Benefits lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<b>CONTRACTED SERVICES</b>		
<p><b><u>Contracted Direct Care Services</u></b>                      Contracted Direct Care Services include the following:</p> <ul style="list-style-type: none"> <li>– Non-licensed Support Staff Services (line 75)</li> <li>– Non-licensed Support Staff Supervision Services (line 76)</li> <li>– Occupational Therapy Services (line 77)</li> <li>– Physical Therapy Services (line 78)</li> <li>– Speech Therapy Services (line 79)</li> <li>– Recreation Services (line 80)</li> <li>– Nurse Services (line 81)</li> <li>– Psychiatrist Services (line 82)</li> <li>– Psychologist Services (line 83)</li> <li>– Social Worker Services (line 84)</li> <li>– Other Master-level Therapist or Counselor (line 85)</li> <li>– Other Direct Care Services (line 86)</li> </ul>	<p>Allocation based on a study of actual time spent for a sample period, or time survey for a sample period.</p>	<ul style="list-style-type: none"> <li>• See description provided in the Direct Care Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Contracted Direct Care Services lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<p><b><u>Contracted Education Services</u></b>                      Contracted Education Services include the following:</p> <ul style="list-style-type: none"> <li>– Teacher Services (line 90)</li> <li>– Special Education Certified Teacher Services (line 91)</li> <li>– Aide or Paraprofessional Services (line 92)</li> <li>– School Administration Services (line 93)</li> <li>– Other Education Services (line 94)</li> </ul>	Allocation based on a study of actual time spent for a sample period, or time survey for a sample period.	<ul style="list-style-type: none"> <li>• See description provided in the Direct Care Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Contracted Education Services lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>
<p><b><u>Contracted Administration Office Services</u></b>                      Contracted Administration Office Services include the following:</p> <ul style="list-style-type: none"> <li>– Management Services (line 98)</li> <li>– Clinical Director Services (line 99)</li> <li>– Professional Administrative Services (line 100)</li> <li>– Clerical and Secretarial Services (line 101)</li> <li>– Information Technology Services (line 102)</li> <li>– Legal Services (line 103)</li> <li>– Other Administrative Services (line 104)</li> </ul>	Direct Care Expense Ratio	<ul style="list-style-type: none"> <li>• See description provided in the Administration Office Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Contracted Administration Office Services lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<p><b><u>Contracted Occupancy and Food Services</u></b>                      Contracted Occupancy and Food Services include the following:</p> <ul style="list-style-type: none"> <li>– Occupancy and Maintenance Services (line 108)</li> <li>– Food Services (line 109)</li> <li>– Other Occupancy and Food Services (line 110)</li> </ul>	Direct Care Expense Ratio	<ul style="list-style-type: none"> <li>• See description provided in the Administration Office Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Contracted Occupancy and Food Services lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<b>NON-PAYROLL ADMINISTRATION EXPENSES</b>		
<p><b><u>Administrative Expenses</u></b>                      Administrative Expenses include the following:</p> <ul style="list-style-type: none"> <li>– Administrative Supplies (line 118)</li> <li>– Dues, Fees, Licenses &amp; Subscriptions (line 119)</li> <li>– Staff Training and Development (line 120)</li> <li>– Postage, Printing &amp; Photocopying (line 121)</li> <li>– Advertising/Marketing (line 122)</li> <li>– Staff Recruitment (line 123)</li> <li>– Staff Background Checks (line 124)</li> <li>– Facility Certification and Permits (line 125)</li> <li>– Operational Interest Cost (short-term) (line 126)</li> <li>– Non-Payroll Taxes (line 127)</li> <li>– Corporate Overhead (line 128)</li> <li>– Bank Service Charges (line 129)</li> <li>– Bad Debt (line 130)</li> <li>– Other Administrative Expenses (line 131)</li> </ul>	<p>Direct Care Expense Ratio</p>	<ul style="list-style-type: none"> <li>• See description provided in the Administration Office Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Administrative Expenses lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<p><b><u>Liability and Other Insurance</u></b></p> <ul style="list-style-type: none"> <li>– General Liability Insurance (line 135)</li> <li>– Directors and Officers Insurance (line 136)</li> <li>– Professional Malpractice Insurance (line 137)</li> <li>– Buildings, Contents, and Grounds Insurance (line 138)</li> <li>– Vehicle Related Insurance (line 139)</li> </ul>	<p>Direct Care Expense Ratio</p>	<ul style="list-style-type: none"> <li>• See description provided in the Administration Office Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Liability and Other Insurance lines reported on Column 6 on to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<b>NON-PAYROLL PROGRAM SUPPORT EXPENSES</b>		
<b><u>Supplies</u></b> – Room and Board Supplies (line 147) – Food and Supplies (line 148) – Clothing (line 149) – Client Incentives/Rewards (line 150) – Education Supplies (line 151) – Medical Supplies (line 152) – Medications (related to mental health services) (line 153) – Other Supplies (line 154)	Direct Care Expense Ratio	<ul style="list-style-type: none"> <li>• See description provided in the Administration Office Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Supplies lines reported on Column 6 on to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>
<b><u>Transportation</u></b> – Transportation--Client Related (line 158) – Transportation/Travel—Non-Client Related (line 159)	Direct Care Expense Ratio	<ul style="list-style-type: none"> <li>• See description provided in the Administration Office Employee Salaries section of this document.</li> <li>• These ratios should be applied to the Transportation lines reported on Column 6 on to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<b>FACILITY, VEHICLE AND EQUIPMENT RELATED EXPENSES</b>		
<u><b>Rentals/Mortgage</b></u> – Buildings Rental/Lease (line 167) – Buildings Mortgage Expense (line 168) – Facility-Related Equipment Rental/Lease (line 169) – Facility-Related Interest Expense (line 170) – Vehicle Rental/Lease (line 171) – Vehicle Related Interest Expense (line 172) – Interest Expense on Working Capital (line 173)	Square Footage of Areas Used For Each Service	<ul style="list-style-type: none"> <li>• The provider may allocate these costs based on the percentage of square footage used for a service to the total square footage of all facilities used by the provider.</li> <li>• For example, 25 percent of a provider’s building space may be used only for room and board services and 40 percent of the building space may be shared between room and board and education. If a time study determines that the education services utilized the shared space 50 percent of the time, 20 percent of that shared space should be allocated for education service. A total of 45 percent (25 percent plus 20 percent) of total facility-related expenses should be allocated toward room and board services, and 20 percent should be allocated to education services.</li> <li>• These ratios should be applied to the Rentals/Mortgage lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<p><b><u>Maintenance and Repairs</u></b></p> <ul style="list-style-type: none"> <li>– Vehicle Maintenance and Repairs (line 177)</li> <li>– Equipment Maintenance and Repairs (line 178)</li> <li>– Plant Maintenance and Repairs (line 179)</li> </ul>	<p>Square Footage of Areas Used For Each Service</p>	<ul style="list-style-type: none"> <li>• See description provided in the Rentals/Mortgage section of this document.</li> <li>• These ratios should be applied to the Maintenance and Repairs lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>
<p><b><u>Depreciation and Amortization</u></b></p> <ul style="list-style-type: none"> <li>– Vehicle Depreciation (line 183)</li> <li>– Equipment Depreciation (line 184)</li> <li>– Building Depreciation (line 185)</li> <li>– Capital Leases Amortization (line 186)</li> <li>– Land Improvements Amortization (line 187)</li> <li>– Other Amortization (line 188)</li> </ul>	<p>Square Footage of Areas Used For Each Service</p>	<ul style="list-style-type: none"> <li>• See description provided in the Rentals/Mortgage section of this document.</li> <li>• These ratios should be applied to the Depreciation and Amortization lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

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<p><b><u>Utilities</u></b>                      Utilities include the following:</p> <ul style="list-style-type: none"> <li>- Telephone &amp; pagers (line 192)</li> <li>- Cable / Internet (line 193)</li> <li>- Electric (line 194)</li> <li>- Gas (line 195)</li> <li>- Water (line 196)</li> <li>- Garbage (line 197)</li> <li>- Sewage (line 198)</li> <li>- Other Utilities (line 199)</li> <li>- Total Utilities (Attach Detail Description) (line 200)</li> </ul>	Square Footage of Areas Used For Each Service	<ul style="list-style-type: none"> <li>• See description provided in the Rentals/Mortgage section of this document.</li> <li>• These ratios should be applied to the Utilities lines reported on Column 6 to determine the allocation of net allowable and reclassified costs for each category of service.</li> </ul>

<sup>1</sup> Note that these allocation methodologies are to be used only if the provider does not directly assign and track costs by individual service. Alternative allocation methods must be approved in advance by the Departments, and must result in a more reasonable estimate of costs by individual service.

State of Wyoming Departments of Family Services, Education and Health (Medicaid)  
 Psychiatric Residential Treatment Facility, Residential Treatment Center, Group Home and BOCES Cost Report Instructions  
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Expenses	Cost Allocation Methodology <sup>1</sup>	Description (All Cost Report References are for Schedule 1 - Cost)
<b>ADDITIONAL HEALTH CARE SERVICES AND EXPENSES</b>		
<ul style="list-style-type: none"> <li>- Dental Services (line 206)</li> <li>- Vision Services (line 207)</li> <li>- Pharmacy Expenses for Non-Mental Health related Services (line 208)</li> <li>- Durable Medical Equipment (line 209)</li> <li>- Medical Services (line 210)</li> <li>- Other Health Care Services (line 211)</li> </ul>	Direct	<ul style="list-style-type: none"> <li>• Directly allocate these costs to Room and Board (column 7)</li> </ul>

<sup>1</sup> Note that these allocation methodologies are to be used only if the provider does not directly assign and track costs by individual service. Alternative allocation methods must be approved in advance by the Departments, and must result in a more reasonable estimate of costs by individual service.