

## **Time Study Scenarios**

A facility that does not utilize the recommended cost allocation basis for wages may need to complete a time study. The recommended cost allocation basis can be found in the Medicaid Provider Manual and the Provider Reimbursement Manual. Going forward scenarios where time studies are required include, but are not limited to:

1. Employees that work in multiple departments need time studies to properly reflect time or allocation of wages. Some specific examples include:
  - a. An owner who manages multiple departments, but the owner is not the administrator.
  - b. If a nursing facility has less than 50 beds, they do not require a full time administrator. If the administrator is performing other duties, a time study is necessary to determine how much of their salary needs to be reported on WS1-F to subject it to the limit.
  - c. Routine nursing staff who also work in the HFA.
  - d. Maintenance or housekeeping staff that split their time between the assisted living center and nursing facility.
  - e. A medical records employee who also performs other functions, such as a CNA acting as a medical records clerk and providing direct care in the Medicaid Routine Care Unit.
2. Administrators that service more than one facility.
3. Allocation of ancillary and routine costs. A couple of examples include:
  - a. A physical therapist hired to do both billable and non-billable maintenance services.
  - b. Licensed physical therapists performing both ancillary modalities and routine patient chart review.
4. Cost centers that require time spent as a statistic on WS2 and affect non-routine activities. For example, a HLTCU is required to split medical records statistics based on time studies between the HLTCU and the Non-HLTCU.
5. Home office and nursing facility positions that have allowable and unallowable services, such as marketing.
6. Marketing personnel that perform other job functions that may be allowable, such as admissions.

For past cost reporting periods where a time study was not produced the following scenarios will be utilized:

1. If the provider has been notified in past audits that a time study is required and isn't using time studies in subsequent cost reporting periods to the year the audit was conducted, the department will follow prior year audit recommendations or require further auditable documentation to support the current period allocation.
2. If the same employee is working at the facility the department will at a minimum require the following:
  - a. A position description from the cost reporting period(s) being audited.
  - b. An interview with the employee that helps breakdown the time period(s) being audited based on job description and tasks.
3. If the employee no longer works for the facility the department will work with providers on a case by case basis if the provider has auditable documentation related to that employee's position.

Reference: Medicaid Provider Manual, Nursing Facility Chapter, Cost Reporting and Reimbursement Appendix, Section 9 – Cost Classifications and Cost Finding  
  
CMS, Provider Reimbursement Manual (PRM) 15-1, Chapter 23, Adequate Cost Data and Cost Finding

E. Periodic Time Studies.--Periodic time studies, in lieu of ongoing time reports, may be used to allocate direct salary and wage costs. However, the time studies used must meet the following criteria:

1. The time records to be maintained must be specified in a written plan submitted to the intermediary no later than 90 days prior to the end of the cost reporting period to which the plan is to apply. The intermediary must respond in writing to the plan within 60 days from the date of receipt of the request, whether approving, modifying, or denying the plan.

2. A minimally acceptable time study must encompass at least one full week per month of the cost reporting period.

3. Each week selected must be a full work week (Monday to Friday, Monday to Saturday, or Sunday to Saturday).

4. The weeks selected must be equally distributed among the months in the cost reporting period, e.g., for a 12 month period, 3 of the 12 weeks in the study must be the first week beginning in the month, 3 weeks the 2nd week beginning in the month, 3 weeks the 3rd, and 3 weeks the fourth.

5. No two consecutive months may use the same week for the study, e.g., if the second week beginning in April is the study week for April, the weeks selected for March and May may not be the second week beginning in those months.

6. The time study must be contemporaneous with the costs to be allocated. Thus, a time study conducted in the current cost reporting year may not be used to allocate the costs of prior or subsequent cost reporting years.

7. The time study must be provider specific. Thus, chain organizations may not use a time study from one provider to allocate the costs of another provider or a time study of a sample group of providers to allocate the costs of all providers within the chain.

The intermediary may require the use of different, or additional, weeks in the study in its response to the provider's request for approval and may prospectively require changes in the provider's request as applied to subsequent cost reporting periods.

#### 2314. LIMITATION OF ALLOCATION OF INDIRECT COSTS WHERE ANCILLARY SERVICES ARE FURNISHED UNDER ARRANGEMENTS

##### A. "No Overhead Allocation" Method.--

1. Where a provider furnishes ancillary services to Medicare patients under arrangements with others, the provider must pay the supplier and request reimbursement from the Medicare program. Where a provider simply arranges for such services for non-Medicare patients, and does not pay the non-Medicare portion of such services, its books will reflect only the cost of the Medicare portion. Therefore, allocation of indirect costs to a cost center which includes only the cost of the Medicare portion would result in excessive assignment of indirect costs to the program. Since services were also arranged for non-Medicare patients, part of the overhead costs should be allocated to that group.

Consequently, in the foregoing situation, no indirect costs may be allocated to the Medicare portion. Instead, the total indirect costs will be allocated to all other departments so that each of these departments will absorb proportionately those indirect costs which otherwise would have been allocated to the arranged for services. In this way, Medicare will share in such indirect costs in the proportion that it shares in the costs of all other services furnished directly by the provider.