

COUNTY OF LOS ANGELES DEPARTMENT OF MENTAL HEALTH
CONTRACT NEGOTIATIONS PACKAGE
PART III – BUDGET SECTION

INSTRUCTIONS: SCHEDULE 3: ADMINISTRATIVE COSTS INCURRED AT
LEGAL ENTITY LEVEL and TO BE ALLOCATED AS INDIRECT COSTS
Form: LACDMH 3000 (4/2009)

SCHEDULE 3 IS FOR REPORTING THE ORGANIZATION'S CENTRAL ADMINISTRATIVE COSTS THAT ARE NOT READILY IDENTIFIED TO A DIRECT SERVICE PROVIDER. THE COMPONENTS OF THE CENTRAL ADMINISTRATIVE COSTS OCCURRING AT THE LEGAL ENTITY LEVEL ARE ITEMIZED IN SCHEDULE 3 AND THEN ALLOCATED AS INDIRECT COSTS TO THE PROGRAM LEVEL IN SCHEDULE 1. THE ADMINISTRATIVE SUPPORT AND OTHER INDIRECT COSTS TO BE IDENTIFIED IN THESE SCHEDULE ARE THOSE INCURRED FOR THE COMMON BENEFIT OF THE ORGANIZATION'S TOTAL CONTRACTED MENTAL HEALTH PROGRAM AND ARE NOT DIRECTLY OR READILY ATTRIBUTABLE TO A SPECIFIC COUNTY CONTRACTED MENTAL HEALTH PROGRAM OR SERVICE.

ALLOWABLE ADMINISTRATIVE COSTS INCLUDE ACCOUNTING, BUDGETING, FINANCIAL SCREENING, GENERAL ADMINISTRATIVE PERSONNEL, INFORMATION YSTEM, OFFICE SERVICES, AND OTHER SUCH SIMILAR SERVICES. THESE COSTS MUST BE REASONABLE, BE EQUITABLY ALLOCATED AND COMPLIANT WITH FEDERAL COST ALLOCATION PRINCIPLES. CONSULT WITH YOUR ACCOUNTANT.

ADMINISTRATIVE COSTS ARE ALLOWABLE TO THE EXTENT THEY ARE: 1) REASONABLE AND NECESSARY, 2) RELATED TO THE SERVICES PROVIDED BY THE DIRECT SERVICE PROVIDERS, 3) ALLOWABLE UNDER MEDICARE REGULATIONS, 4) ALLOCATED ON AN ACCEPTABLE BASIS AND 5) IF COUNTY GENERAL FUNDS AS AUTHORIZED BY THE LEGAL ENTITY AGREEMENT.

Heading Instructions:

- Enter the Legal Entity Name.
- Enter the Legal Entity Number that is assigned by the County/State.
- Enter the applicable County Fiscal Year.

Line and Column Instructions:

Line 1: Enter into line 1, column 2 allowable home office costs. Home Office costs are discussed in the federal Centers for Medicare & Medicaid Publication # 15-2 (The Provider Reimbursement Manual – Part 2), Chapter 10, *Home Office Cost*. Generally, Home Office Costs are associated with a chain organization which consists of a group of two or more facilities. The home office usually provides central management and administrative services. Home office costs performed for individual service providers which relate to client care, plus an appropriate share of indirect costs, are allowable to the extent that they are reasonable.

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Form: LACDMH 3000 (3/2006)

The Code of Federal Regulations (42CFR413.157) prohibits a profit or a return on equity for a profit entity engaged in business as an inpatient hospital or a skilled nursing facility.

A non-profit entity, other than an inpatient hospital or a skilled nursing facility, under the Negotiated Rate reimbursement methodology may retain 50% of federal Medi-Cal revenue that is in excess of the State approved negotiated rate under the conditions provided in the State Plan TN No. 93-009 item C.

A non-profit entity under the cost reimbursement methodology is limited to actual costs which does not include a charge for revenue in excess of the actual costs. Not-For-Profit contractors see California State Plan TN No. 93-009 item A "Actual Costs" which provides the definition of **actual cost as:** *reasonable and allowable cost, based on year-end cost reports and Medicare principles of reimbursement as described at 42 CFR Part 413, in CMS Publication 15-1.*

Certain federal requirements also limit charges from a related organization.

Consult with your accountant regarding indirect administrative costs. County General Funds do not have similar limitations concerning indirect administrative costs and any restrictions result from negotiations and contract provisions.

Line 2: Enter the Salaries/Wages and Employee Benefits for the central administrative staff that are incurred for the common benefit of the Legal Entity's total contracted mental health program and which are not directly or readily attributable to a specific County contracted mental health program or service. These costs can be grouped into one amount and a detail description of the pay classification is not required.

Lines 3 through 31: Enter the costs for the respective cost descriptions.

Line 32: Add lines 1 through 31 and enter the result on line 32 "Total Administrative Indirect Costs", column 2 "Legal Entity Totals". Note that formulas have been added into the work sheet and this step will calculate automatically. Carry forward the amount on line 32, column 2 to Schedule 1, line 13 "Administrative Indirect Costs", column 2 "Legal Entity Programs Totals".

LINE ITEM BUDGET: ADMINISTRATIVE COSTS INCURRED AT THE LEGAL ENTITY LEVEL

LEGAL ENTITY NAME: _____

LEGAL ENTITY #: _____

COUNTY FISCAL YEAR: _____

(unprotect pass word is dmh in small case)

(round amounts to the nearest dollar)

LINE #	COLUMN # →	1	2
DESCRIPTION OF ADMINISTRATIVE INDIRECT COSTS:			LEGAL ENTITY TOTALS
1		Home Office Costs--Chain Operations	
2		Salaries/Wages and Employee Benefits	
3		Capital Equipment (Purchased and with a Unit Value of \$5,000 or more) Depreciation	
4		Capital Equipment (Lease Purchases with a Unit Value of \$5,000 or more) Amortization	
5		Conferences	
6		Consultants (provide detail separately)	
7		Education and Training	
8		Equipment Leases (not lease/purchase)	
9		Equipment, Purchased and with a Unit Value Under \$5,000	
10		Facility Rent/Lease Costs	
11		Facility (Owned) Costs	
12		Information Technology/Data Processing	
13		Insurance-Workers Compensation	
14		Insurance-Other	
15		Mileage	
16		Office Supplies	
17		Professional Services - Accounting	
18		Professional Services - Legal	
19		Professional Services - Other	
20		Publications	
21		Subcontracts (provide detail separately)	
22		Telephone	
23		Travel/Transportation	
24		Utilities	
25		Other (Specify)	
26			
27			
28			
29			
30			
31			
32		TOTAL ADMINISTRATIVE INDIRECT COSTS (Sum of lines 1 through 30)	-