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## **Single Cost Accounting System for Payment of Room and Board and Educational Expenses**

### **Sec. 17a-17-1. Definitions**

The terms used in these regulations shall, in its interpretation, be defined as follows unless the context clearly and specifically provides otherwise:

(a) “Commissioner”: Means the Commissioner of the Department of Children and Families, hereinafter the department, or his designated representative.

(b) “State Department of Education”: Means the Commissioner of the State Department of Education, hereinafter SDE, or his designated representative.

(c) “Child”: Means a person who receives services at a treatment center and is under the supervision of the Commissioner.

(d) “Other Minors”: Means persons who receive services at an Approved Private Special Education Program (APSEP) of a treatment center and are not under the supervision of the Commissioner.

(e) “Local Educational Agency” (LEA): Means the board of education for the city, town or region responsible under Connecticut General Statutes 10-76b et. seq. for the education of a child or other minor residing in a treatment center.

(f) “Individualized Educational Program” (IEP): Means a separate written plan for a child or other minor which shall be developed by a planning and placement team to meet the needs of each child or other minor requiring special education, and educational related services.

(g) “Educational services”: Means classes, programs, activities or other services designed to provide an appropriate education to a student determined to be in need of special education or to a student not determined to be in need of special education. In the case of a student determined to be in need of special education, educational services and educational related services shall be provided in accordance with the Individualized Education Program (IEP) developed for the student by the Planning and Placement Team (PPT) of the student’s LEA.

(h) “Educational Related Services”: Means services to a child recommended by the planning and placement team which may include the following services: psychological, health, language, speech and hearing, guidance, social work, transportation, physical and occupational therapy, translation, parent counseling and training in understanding the educational needs of the child, and any medical services required for diagnostic or evaluation purposes.

(i) “Treatment Center”: Means a private residential treatment center licensed by the Commissioner pursuant to Connecticut General Statute 17a-145, offering residential care service and may include an approved private special education program and other programs.

(j) “Approved Private Special Education Program” (APSEP): Means, for the purpose of these regulations, that component of a treatment center which delivers special education. Such school programs must be approved and supervised by the SDE Commissioner pursuant to Connecticut General Statutes 10-76a et. seq.

(k) “Other Programs”: Means one or more programs established to provide a specific service to children, other minors and other persons which the treatment center offers in addition to the residential services and/or APSEP.

(l) “Residential Care Services”: Means the room and board and treatment services which a treatment center provides for a child, including but not limited to psychological, health, psychotherapeutic, language, speech, hearing, guidance, social work, therapy, translation, transportation, parent counseling and training, unless such ser-

vices have been recommended by a Planning and Placement Team (PPT) as educational related services.

(m) “Service Agreement”: Means a written agreement between the Commissioner, after consulting with the State Department of Education, and a treatment center for the purchase of room and board and, to the extent required by an IEP, education services for a child.

(n) “Contract Year”: Means the one year period of service agreements of July 1st through June 30th unless the Commissioner provides for a different schedule.

(o) “Related Party”: Means persons or organizations related through marriage, ability to control, ownership, family or business association, with the treatment center.

(p) “Accrual Basis of Accounting”: Means a method used in accounting which reports all revenue when the treatment center obtains an unqualified right to receive them. All expenses, purchases and other bills are recorded on the book of account when the treatment center incurs a clear obligation to pay them.

(q) “Audited Single Cost Accounting Report” (ASCAR): Means the annual cost and performance reporting document, which consists of forms provided by the Commissioner and submitted by all treatment centers.

(r) “Residential Day of Care”: Means a day in which services are provided for the residential care of a child or other minor by the treatment center.

(s) “Educational Day”: Means a day in which educational services are provided for an enrolled child or other minor by the APSEP.

(t) “Personal Services”: Means salaries and wages; social security taxes; and unemployment compensation.

(u) “Other Expenses”: Means professional fees; consultant/contract services; food and food supplies; office supplies/postage; housekeeping supplies; educational and vocational supplies; miscellaneous supplies; advertising (employment); laundry and dry cleaning; clothing replacement; personal needs/allowance; travel; vehicle expense; conferences, conventions and meetings; maintenance and repairs; dues and fees; books/periodicals; interest; use tax; and other.

(v) “Fixed Expenses”: Means workers’ compensation; dental insurance; hospital insurance; retirement; other fringes; rent; heat, light and water; depreciation; telephone and telegraph; and insurance.

(Effective February 1, 1994)

### **Sec. 17a-17-2. Per diem payment for residential care**

(a) The department will reimburse on a per diem payment basis each treatment center for the residential care of children under the supervision of the Commissioner. For each treatment center, the system for determining per diem payment rates shall be on a base year (ASCAR) cost-related rate system.

(b) The department shall promulgate annually the per diem payment rates for treatment centers to be effective July 1st of that year, based on costs reported in the ASCAR filed the preceding December.

(c) Per diem payment rates for residential care for each treatment center shall be computed in accordance with Section 17a-17-11 of these regulations and other applicable sections of these regulations.

(Effective February 1, 1994)

### **Sec. 17a-17-3. Per diem payment for educational services**

(a) Per diem payments will be made to a treatment center based on the total number of educational days provided to an individual child or minor in an APSEP.

(b) Per diem payments for APSEP will correspond to the total number of educational days provided. In no event shall an LEA be required to pay or reimburse an APSEP pursuant to this regulation for cost of education provided for a child or minor for more than 30 days after the initial placement under the following circumstances:

(1) If the LEA has determined that appropriate educational services cannot be provided to the child or minor at the APSEP; or

(2) If the LEA has determined that the child can be educated in the local public school and the department agrees that provision of education in the local public school will not significantly impair the department's ability to address the non-educational reasons upon which the placement was made.

(c) The standard school year for the purposes of computing the per diem payment rate for educational services shall be no less than 180 days in accordance with Connecticut General Statute 10-16. Any variation from the standard school year may be prescribed in the IEP for a specific child or other minor served by the APSEP.

(d) Per diem payment rates for educational services shall be computed in accordance with Section 17a-17-12 and other applicable sections of these regulations.

(Effective February 1, 1994)

#### **Sec. 17a-17-4. ASCAR**

(a) Each private residential treatment center shall annually file on forms provided by the Commissioner an Audited Single Cost Accounting Report (ASCAR) with the Commissioner by December 1st, for establishing a per diem rate for the subsequent contract year July 1st through June 30th, unless written approval by the Commissioner, after consulting with the SDE, is granted for submission at a later date.

(b) The department shall have a ninety (90) day period commencing on the date a facility submits its single cost report, to prepare a written analysis of that report and to establish a per diem payment for the ensuing fiscal year.

(c) The ASCAR shall be completed in accordance with generally accepted accounting principles and audited in accordance with generally accepted auditing standards. Audited financial statements, notes to same, management report and an auditor's opinion letter shall accompany the ASCAR. The ASCAR must be certified by a certified public accountant.

(d) The ASCAR shall be completed using the accrual basis of accounting method. Changes in the accounting method must have prior written approval of the Commissioner.

(e) Each treatment center may permit emergency residential care placements outside the scope of the approved program, provided the placement is at the request of the department and is consistent with the ability of the treatment center to provide the necessary services for said placement.

(f) Records generated by the treatment center for purposes of reporting to the Commissioner must be retained for a minimum of three years from the date of submission of the relevant annual report.

(g) The Commissioner and the state auditors may audit all supporting accounting and business records and all records relating to the provision of services to children.

**(h) Information to be provided on the ASCAR shall include:**

(1) Allowable, appropriately allocated residential care costs incurred during the previous contract year.

(2) Non-allowable costs incurred during the previous contract year.

(3) Real property expenses include all properly allocated direct expenses arising from the occupancy and use of the land, buildings, offices and other facilities owned or leased.

(4) Offsets to allowable costs that accrued during the previous contract year.

(5) All revenue generated by the treatment center during the previous contract year.

(6) A description of all other programs offered by the treatment center and the costs of each program.

(7) Projected income for the next contract year from any source other than LEAs, SDE and the department.

(Effective February 1, 1994)

### **Sec. 17a-17-5. Allowable costs**

#### **(a) Residential Care Costs:**

(1) Allowable residential care costs are limited to those allowable costs properly allocated, in accordance with Section 17a-17-8 of these regulations, to residential care.

(2) Allowable residential care costs include costs of meals and food service, clothing, laundry, maintenance, housekeeping, transportation, utilities, fuel, property-related insurance, property taxes and real property expenses.

(3) Real property expenses include all properly allocated direct expenses arising from the occupancy and use of the land, buildings, offices and other facilities owned or leased.

(4) Allowable residential care costs also include the properly allocated cost of movable equipment based upon depreciation and interest according to generally accepted accounting principles.

(5) A properly allocated amount for reasonable interest expense required to obtain necessary working capital is also an allowable residential care cost.

(6) Costs for medical and dental services are allowable residential care costs to the extent these services are not covered by Title XIX.

(7) Allowable residential care costs are separated into three cost components: Personal Services, Other Expenses and Fixed Expenses.

(8) Except for increases previously approved by the department, increases in the residential care cost components of Personal Services and Other Expenses, in their respective aggregate by activity, over the previous contract year are limited to the increase in the Consumer Price Index as published in July of the year of the last reported ASCAR plus 2% or the actual reported increase in allowable residential care cost components as reported in said ASCAR, whichever is the lesser. Increases in the residential care cost component of Fixed Expenses over the previous contract year will be fully reimbursed, subject to review, except that increases in workers' compensation, dental insurance, hospital insurance, retirement, and other fringes resulting from revision, modification or expansion of benefit plans, unless such changes in benefit plans were previously approved by the department, are non-allowable costs.

#### **(b) Educational Service Costs:**

(1) Educational service costs are those costs directly incurred in providing children and other minors placed in the APSEP with an education in accordance with Connecticut General Statutes 10-76a et. seq. In addition, educational service costs include costs properly allocated under Section 17a-17-8 of these regulations to educational services.

(2) Allowable educational service costs are separated into three cost components: Personal Services, Other Expenses and Fixed Expenses.

(3) Except for increases previously approved by SDE, increases in the educational service cost components of Personal Services and Other Expenses, in their respective aggregate by activity, over the previous contract year are limited to the increase in the Consumer Price Index as published in July of the year of the last reported ASCAR plus 2% or the actual reported increase in allowable educational service cost components as reported in said ASCAR, whichever is the lesser. Increases in the educational service cost component of Fixed Expenses over the previous contract year will be fully reimbursed, subject to review, except that increases in workers' compensation, dental insurance, hospital insurance, retirement, and other fringes resulting from revision, modification or expansion of benefit plans, unless such changes in benefit plans were previously approved by SDE, are nonallowable costs. (Effective February 1, 1994)

#### **Sec. 17a-17-6. Non-allowable costs**

Costs that are not allowable include but are not limited to:

- (a) Legal, accounting, professional services and related costs incurred to represent the agency in any actions against federal, state or local agencies.
  - (b) Fines and penalties.
  - (c) Bad debts and the costs of action to collect receivables.
  - (d) Advertisement (except for recruitment of personnel).
  - (e) Contributions.
  - (f) Medical and dental services, to the extent these services are covered by Title XIX.
  - (g) Fund-raising expenses to the extent that these expenses exceed the amount of contributions used to offset allowable costs.
  - (h) Payments made by the treatment center to a related party are non-allowable unless the treatment center provided sufficient data to satisfy the Commissioner that said costs were necessary and reasonable.
  - (i) Educational services costs incurred not in accordance with an IEP.
- (Effective February 1, 1994)

#### **Sec. 17a-17-7. Depreciation/use allowance**

- (a) The straight-line method of calculating depreciation shall be used to compute the useful life of equipment valued at \$500 or more based on the initial acquisition cost. Useful life shall be calculated in accordance with the American Hospital Association publication "Estimated Useful Life of Depreciable Hospital Assets," 1983 Edition.
- (b) Treatment centers may convert their existing depreciation reports to schedules which are consistent with the straight-line method as specified above.
- (c) Total depreciation charges throughout the useful life of the equipment or real property shall not exceed the original cost of acquisition.
- (d) Charges for depreciation shall be supported by adequate property records, including acquisition date and cost, and the depreciation period and the amount charged each cost period where applicable.
- (e) Physical inventories shall be taken and documented at least once every two years for depreciable equipment.
- (f) Gains or losses on the sale, retirement or other disposition of vehicles and other equipment shall be included as credits or charges in the year in which they occur. (Effective February 1, 1994)

**Sec. 17a-17-8. Allocating costs**

(a) A portion of allowable costs properly attributable to the provision of educational services shall be allocated in accordance with this section.

(b) Allocations shall be based on floor space utilization, in the case of real property expenses, utilities, fuel, property-related insurance, property taxes, housekeeping, maintenance, and reasonable interest expenses.

(1) The calculation of floor space utilized shall be based on the percent of actual square feet available that is used by the treatment center for either residential care or educational services or both. Common area square footage is not includable in this calculation. Common area refers to space used for lobbies, recreational areas, administrative areas, maintenance and food service.

(2) To the extent that the same space is used for both residential care and educational services, the percentage of time reserved for each use shall be the basis for allocating floor space under this section.

(3) Changes in the floor space for a program during the budget year that are greater than 5% of the existing floor space must be fully explained and must receive prior written approval from the Commissioner.

(c) For purposes of allocating personnel expenses including related educational services and residential care services, the following procedures apply:

(1) When an employee spends all of his time on either residential care or educational services, the cost must be charged to that activity.

(2) When an employee spends his time on both residential care and educational services, the cost chargeable to that activity must be based on the time actually expended.

(3) Records of allocated time and charges must be maintained to verify allocation of payroll cost.

(d) For purposes of allocating transportation costs and equipment, only those costs actually related to the activity may be allocated.

(Effective February 1, 1994)

**Sec. 17a-17-9. Offsets to allowable costs**

(a) Grants, gifts, fund-raising and endowment income anticipated to be received during the next contract year and specifically designated by the donor for payment of allowable costs shall be offset against those costs and allocated to either residential care or educational services.

(b) Payments anticipated during the next contract year from governmental sources other than local education agencies, the department or SDE shall offset allowable costs.

(c) At the discretion of the treatment center, a portion of non-designated income anticipated for the next contract year may be included to offset allowable costs. Such designation shall not be considered an offset to allowable costs in future years.

(Effective February 1, 1994)

**Sec. 17a-17-10. Calculation of revenue**

(a) Treatment centers must identify and list all revenue or income earned and/or donated during the fiscal year on the ASCAR. All sources of and restrictions on this income must be listed. The use of non-designated income must also be listed.

(b) Treatment centers must allocate revenue to residential care, educational services or other programs based on restrictions and/or use of the income.

(Effective February 1, 1994)

**Sec. 17a-17-11. Computation of per diem rate for residential care**

(a) The calculation of a per diem payment rate for residential care will be based on the approved operational program and the ASCAR; specifically, allowable properly allocated costs for residential care during the past contract period, less revenue allocated to residential care and offsets to allowable residential care costs will provide the net residential care costs which is the basis for computing the per diem payment rate.

(b) Private fees for service income will not be used in ascertaining the per diem rate, unless the days of care are reduced to reflect occupancy of the privately paid for residents.

(c) The net residential care costs shall be updated for the two year period between the year being reported and the year for which the rate is being set as follows:

The first year following the reporting year will be updated by applying the legislative increase for the private facilities' portion of the Board and Care account for that year. The second year following the reporting year will be updated by applying the percentage increase for the private facilities' portion of the Board and Care account as promulgated in the Governor's budget document.

(d) Other requests for adjustments must be supported by complete documentation; only those adjustments deemed necessary by the department for the provision of residential care will be considered.

(e) Analysis of the ASCAR and other relevant information relating to management, financial and programmatic performance will be considered in the rate adjustment process. Inadequate management, financial and programmatic performance may result in a contract term of less than twelve months.

(f) For treatment centers operating at greater than 95% of residential capacity, during the previous contract year, the per diem payment rate for residential care will be calculated as follows:

The adjusted net residential care cost divided by 95% of the approved capacity multiplied by 360.

(g) For treatment centers operating at 90% to 95% of residential capacity during the previous contract year, the per diem payment rate for residential care will be calculated as follows:

The adjusted net residential care cost divided by the actual number of residential days of care of children served by the treatment center during the past contract year equals the per diem payment rate for residential care.

(h) For treatment centers operating at less than 90% residential capacity during the previous contract year, the per diem payment rate for residential care will be calculated as follows:

The adjusted net residential care cost divided by the minimum number of residential days of care of children served by the treatment center during the past contract year equals the per diem payment rate for residential care. Minimum number of residential days of care is calculated based on 90% of approved residential capacity multiplied by 360.

(i) In no event shall the department pay or reimburse a treatment center for residential care for children under the supervision of the department in an amount exceeding costs charged for similar care for other minors, within the same facility.  
(Effective February 1, 1994)

**Sec. 17a-17-12. Computation of per diem payment rate for educational services**

(a) The calculation of a per diem payment rate for educational services will be based on the operational program and the ASCAR; specifically, properly allocated

costs for educational services during the past contract period, less revenue and offsets allocated to education services will provide net educational services cost which is the basis for computing the per diem payment rate.

(b) The net educational services cost shall be updated for the two year period between the year being reported and the year for which the rate is being set as follows:

The first year following the reporting year will be updated by applying the legislative increase for the private facilities' portion of the Board and Care account for that year. The second year following the reporting year will be updated by applying the percentage increase for the private facilities' portion of the Board and Care account as promulgated in the Governor's budget document.

(c) Other requests for adjustments must be supported by complete documentation; only those adjustments deemed necessary by SDE, in consultation with the appropriate LEA, for the provision of educational services will be considered.

(d) The per diem payment rate for educational services will be calculated as follows:

The adjusted net educational services cost divided by the total number of educational days delivered to all children and other minors at the APSEP during the past contract year equals the per diem payment rate for educational services.

(Effective February 1, 1994)

### **Sec. 17a-17-13. Temporary supplement**

(a) A treatment center may apply to the Commissioner for a temporary per diem payment rate supplement for additional residential care not included in the approved program. The need for temporary supplement for residential care must be documented and submitted to the Commissioner for approval.

(b) A treatment center may apply to the SDE for a temporary rate supplement for additional educational services required by extraordinary conditions. The need for temporary rate supplement for educational services must be documented and approved by the SDE.

(c) Temporary supplements shall not remain in effect longer than twelve months.

(Effective February 1, 1994)

### **Sec. 17a-17-14. Interim rate-setting for newly licensed treatment center**

(a) All newly-licensed treatment centers shall file a proposed operational program with the Commissioner along with a proposed budget on forms provided by the Commissioner.

(b) **Proposed budgets shall include the following information:**

(1) Anticipated allowable and properly allocated residential care costs.

(2) Anticipated educational service costs.

(3) Anticipated properly allocated revenue.

(4) Anticipated properly allocated offsets to allowable costs.

(c) Proposed budgets must be prepared and reported in accordance with these regulations and will be reviewed for accuracy and reasonableness in view of state-wide averages.

(d) The Commissioner in consultation with SDE shall establish interim per diem payment rates for residential care and educational services for newly-licensed treatment centers based on an approved budget for the first year of operation.

(e) Interim rates shall remain in effect until a per diem payment rate is established pursuant to Section 17a-17-11 and 12 of these regulations or other applicable sections of these regulations, based upon a 12-month ASCAR ending June 30th.

(f) All newly-licensed treatment centers will file with the Commissioner a semi-annual certified financial report. The requirements of these regulations with respect to reporting documents shall apply to this report. The Commissioner in consultation with SDE may adjust the interim rates based on this financial report.

(Effective February 1, 1994)

**Sec. 17a-17-15. Post-audit adjustments**

(a) If an audit of the treatment center's records reveals errors which have resulted in overpayment to the treatment center, the department in consultation with SDE may make further adjustments to the per diem payment rate(s) for the treatment center or may request immediate reimbursement for this overpayment. In the case of adjustments to be made to the per diem payment rate(s), the department will provide 30 days notice to the treatment center and an opportunity for the treatment center to review the audit report. The Commissioner may request financial assurances from the treatment center in the event the treatment center has been cited by the department or SDE on more than one occasion for erroneous reports.

(b) If an audit of the treatment center's records reveals an underpayment to the treatment center, the department in consultation with SDE, may make further adjustments to the per diem payment rate(s) for the treatment center or, if the treatment center is no longer receiving per diem payments, appropriate reimbursement may be made.

(Effective February 1, 1994)

**Sec. 17a-17-16. Hearings**

(a) Any treatment center which is aggrieved by the rate making decision for residential care pursuant to these regulations, may, within 30 days after written notice thereof, file with the Commissioner of the department a written request for a hearing on all items of aggrievement:

Said hearing and all subsequent appeals therefrom shall be conducted in accordance with the provisions of Connecticut General Statutes Section 4-176e et. seq.

(b) Any treatment center which is aggrieved by the rate making decision for educational services pursuant to these regulations, may, within 30 days after written notice thereof, file with the Commissioner of SDE a written request for a hearing on all items of aggrievement:

Said hearing and all subsequent appeals therefrom shall be conducted in accordance with the provisions of Connecticut General Statutes Section 4-176e et. seq.

(Effective February 1, 1994)