I. **OBJECTIVE:** To file cost reports that do not claim reimbursement for non-allowable cost.

II. **POLICY:** Costs that are non-allowable, and costs not supported by verifiable and auditable data, will not be claimed for reimbursement in the cost reports.

III. **PROCEDURE:** It is Hawaii Health Systems Corporation’s (HHSC) policy to exclude non-allowable costs on the cost reports regardless of materiality and settlement impact. Accounts containing both allowable and non-allowable costs are analyzed to determine the non-allowable amount that should not be claimed for reimbursement.

As a matter of HHSC policy, the determination of the cost report treatment for non-allowable costs will be made using the following guidelines:

- Non-allowable costs to which Administrative & General (cost center) services do not apply are to be offset on the Medicare cost report worksheet A-8.

- Non-allowable costs to which Administrative & General (cost center) do apply will be established as non-reimbursable cost centers with appropriate allocation statistics assigned for the carve-out of applicable overhead.

- Other methods may be used as approved by the fiscal intermediary.