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Cost Reporting

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Objectives

Part I:

- What you need to need to complete the cost report
- Where it is located on the cost report

Part II:

- Common cost report calculations
- How to deal with the complicated issues

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RHC Designation

Provider based – owned, operated by Hospital, SNF, HHA (Schedule M)

Independent – (Freestanding) – may be MD/DO owned, privately owned or owned by other health professionals (CMS Form 222)

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Why a Cost Report?

- Cost reports are due five months after FYE
- Medicare will cut off payments to the clinic for an unfiled cost report

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Why a Cost Report?

- Reconciles Medicare's interim payment method to actual cost per visit
- Allowable RHC Costs/RHC Visits = RHC Cost Per Visit = RHC rate; *not to exceed the maximum allowable reimbursement rate for current period*
- Determines future reimbursement rates
- Reimburses for Pneumococcal and Influenza vaccine costs

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RHC Cost Report

- Cost reports must be submitted in electronic format (ECR File) on CMS approved vendor software via CD.
- Signed Hard Copy must also be submitted with an electronic "fingerprint" matching the electronic cost report.

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Information Needed to Complete the RHC Cost Report

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Information Needed to Complete the RHC Cost Report

- Financial Statements
- Visits by type of practitioner
- Clinic hours of operation
- FTE calculations
- Total number of clinical staff hours worked during the cost report period.

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Information Needed to Complete the RHC Cost Report

- Salaries by employee type
- Vaccine Information
- Related Party Transactions
- Depreciation Schedule

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Information Needed to Complete the RHC Cost Report

- Medicare Bad Debt
- Laboratory Costs
- Non-RHC X-ray Costs
- PSR - obtained on-line through IACS

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Information Needed to Complete the RHC Cost Report

NEW FOR 2011:

Preventative Charges for Medicare Beneficiaries

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Financial Statements

- Balance Sheet
- Profit and Loss Statement
- Trial Balance

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Clinic Hours of Operation

- Should reflect hours practitioners are available to see patients
- Broken between hours operating as an RHC or a Non-RHC, if applicable
- Reported on worksheet S, lines 11 & 12 (independent)
- Reported in military time format

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Hours worked for FTE Calculation

- Only clinical hours should be used in the FTE calculation
- Categorize each practitioner's work into:
 - Administrative (used to reclassify wages of provider)
 - Patient care – Clinic/Nursing Home (used to calculate the FTE input on the cost report for the provider)
 - Inpatient care hours - if inpatient work is part of the provider's clinic compensation package (used to adjust wages of provider)

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Nursing Staff Hours

- Total number of remaining clinical staff hours worked per year (for use in calculating the staff time ratio of time available for giving vaccines).
 - RN
 - LPN
 - MA

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FTE Calculation

Average Hours Per Week Summary Sheet for Administrative Staff in Patient Care Sites

Worksheet 4: AVERAGE HOURS WORKED PER WEEK

Health Care Provider (Listed by Individual)	Administrative Hours	Administrative Hours	Administrative Hours	Administrative Hours	Administrative Hours	Administrative Hours	Administrative Hours	Administrative Hours	Administrative Hours	Administrative Hours
TOTAL HOURS										
PLEASE COMPLETE THE BELOW INFORMATION										
Job Title	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees	Number of Employees
Required Hours										
Actual Hours										

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Staff of RHC

- If clinic financials do not separate salaries by provider type (Physician, PA, NP, Nurse, MA) a reclassification may be necessary.
- Fringe benefits and employer paid payroll taxes should be available to be used in other calculations such as provider administrative reclassification and lab carve out

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Staff Wages Worksheet

Worksheet 5 for W-2 EMPLOYEES

Employee/Categorize	Class Wages	Medical Insurance	Life Insurance	Disability Insurance	dental Insurance	Pension / 401K / IRA	Other Fringe Benefits	Employer Paid Payroll Taxes
Physicians								
Total Physicians (Physician Associates)								
Total Physician Assistant								
Nurses								
Total Nurse Practitioner								
Total Medical Assistants								
Other Staff								
Total Medical Assistants								
Total X-Ray Technicians								
Total Other Staff (Medical Assistants, etc.)								
Total of all descriptions								
TOTAL OF ALL W-2 EMPLOYEES								

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PSR

- A copy of your PS&R (Provider Statistical and Reimbursement System report) will need to be obtained by the clinic electronically from IACS (Identity Management and Authentication System)
- This link provides detail instructions for IACS registration:
http://www.cms.hhs.gov/psrr/downloads/Registration_Tips_Providers.pdf

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PSR

- Compare PSR total to your Medicare visit count. Is this accurate? If not, determine why:
 - Were incidental services included in the visit count
 - Were dual-eligible counted twice
 - Did more than one visit get counted on one day (surgical procedure/office visit)

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Worksheet S

Statistical Data Reporting

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Statistics on Worksheet S – Independent/S-8 Provider Based

- Facility Name
- Entity Status
- Hours of Operation
- If combined cost report for multiple locations, worksheet S, Part III
- If filing a 'No Utilization', "N" for line 13 (independent)

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Worksheet A / Worksheet M-1

Expense Reporting

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Cost Report Categories

Cost Report has three main cost classifications:

- Healthcare Costs
- Facility Overhead
- Non-RHC/Non-Allowable

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Cost Report Categories

Healthcare Costs

- Compensation for providers, nurses and other healthcare staff
- Compensation for physician supervision
- Cost of services and supplies incident to services of physicians (including drugs & biologicals incident to RHC service)
- Cost related to the maintenance of licenses and insurance for medical professionals

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Allowable Cost of Compensation – Health Care Staff

- Salaries & Wages
- Payroll Taxes
- Health & Life Insurance
- Pension Contributions
- Paid vacation or leave, including holidays and sick leave
- Educational courses
- Unrecovered cost of medical services rendered to employees

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Physicians Services Under Agreement

- Supervisory services of non-owner, non-employee physician
- Medical services by non-owner, non-employee physician at clinic (can be cost or fee-for-service)
- Medical services by non-owner, non-employee physician at location other than clinic (can be cost or fee-for-service)

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Other Health Care Costs

- Malpractice and other insurance (Premium can not exceed amount of aggregate coverage)
- Depreciation
- Transportation of Health Center Personal

Overhead Costs:

- Facility
- Administration

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Facility Overhead

Facility Overhead – Facility Cost

- Rent
- Insurance
- Interest on Mortgage or Loans
- Utilities
- Other building expenses

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Facility Overhead

Facility Overhead – Administrative

- Office Salaries
- Office Supplies
- Legal/Accounting
- Contract Labor
- Other Administrative Costs

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Non-RHC Costs

Non RHC Costs

- Lab, X-ray, EKG
- Items and services not covered under program (e.g. dental, physical, etc.)

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Non-RHC Costs

Lab, X-ray, EKG

- Billed to Part B by independent RHCs
- Billed through hospital and included in hospital costs for provider-based RHCs

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Non-allowable Costs

- Entertainment
- Gifts
- Charitable Contributions
- Automobile Expense – where not related to patient care
- Personal expenses paid out of clinic funds

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Other Costs

Membership Costs:
Generally

- Professional, technical or business related organization allowable
- Social & Fraternal not allowable

Research costs not allowable
Translation services costs allowable

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Other Costs

<p><u>Advertising Costs:</u></p> <ul style="list-style-type: none"> • Staff recruitment advertising allowable • Yellow pages advertising allowable • Advertising to increase patients not allowable • Fund-raising advertising, not allowable 	<p><u>Taxes:</u></p> <ul style="list-style-type: none"> • Taxes levied by state and local governments are allowable if exemption not available • Fines and penalties not allowable
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Prudent Buyer Principle

The Prudent & Cost Conscious Buyer:

- Refuses to pay more than going price for an item or service.
- Seeks to economize by minimizing cost.

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Worksheet A-1 / A-2 - Independent

Adjustments to Cost

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Adjustments

- Worksheet A-1: Used to reclassify costs to appropriate cost centers
- Worksheet A-2: Used to include additional or exclude non-allowable costs

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Worksheet B / Worksheet M-2

Visit Reporting

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Visits

- Visits are reported by type of clinician
 - Physician
 - Physician Assistant
 - Nurse Practitioner
- All clinician's working on a regular basis should be included in visits subject to the productivity standard
- Physician Services Under Agreement – for the occasional 'fill in' (locum tenens)

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FTE Calculation

How are FTEs calculated?

- FTE is based upon how many hours the practitioner is available to provide patient care
- FTE is calculated by practitioner type (Physician, PA, NP)

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Medicare Productivity Standard

- Productivity Standard applied in aggregate
- Total visits (all providers subject to the FTE calculation) is compared to total minimum productivity standard.
- A productive midlevel with visits in excess of their productivity standard can be used to offset a physician shortfall.

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Medicare Productivity Standard

- 4,200 visits per employed or independent contractor physician FTE
- 2,100 visits per midlevel FTE
- Aggregated for application of minimum productivity standard
- Physician Services under agreement not subject to productivity standards – limited application (cannot work on a regular basis)

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Worksheet B-1 / Worksheet M-4

Vaccine Reporting

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Vaccine Cost

- Clinic must maintain logs of Influenza and Pneumococcal vaccines administered
- Invoices for the cost of Influenza and Pneumococcal vaccine should be submitted with the cost report
- Submit vaccine logs electronically if possible

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Vaccine Ratios

- Ten minutes is the accepted time per vaccine administration
- Total Vaccines x 10 minutes/60 minutes = 'total vaccine administration hours'
- Divide 'total vaccine administration hours' by total clinical hours worked for **Staff Time Ratio**

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Vaccine Ratios

CLINIC NAME	ABC Family Practice				
F.Y.E.	12/31/2011				
Vaccination	Total Vaccines Given	Medicare Vaccines Given	Total Medical Supplies Cost	F.T.E.Total Staff Hours From Worksheet 4	Staff Time Ratio
Pneumovax	7	4	\$552	10,617	0.000110
Seasonal Influenza	198	83	\$2,147	10,617	0.003108

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Worksheet C / Worksheet M-3

Settlement Data

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Settlement Data

Data is pulled from the clinic's PS&R

- Medicare visits
- Deductibles
- Total Medicare charges (new in 2011)
- Medicare preventative charges (new in 2011)

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Settlement Data

Data is pulled from the clinic's PS&R

- Coinsurance – info only (new in 2011)
- Medicare payments – be sure to include MSP payments
- Bad Debts – Total
- Bad Debt – Dual Eligible

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Worksheet A-2-1/A-8-1

Related Party Transactions

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Related Party Transactions

- Most common related party transaction is related party building ownership (e.g. building is owned by the doctors which also own the clinic – clinic pays 'rent' to docs)
- Cost must be reduced to the 'cost of ownership' of the related party
- Cost is adjusted to actual expense incurred by the related party

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Related Party Transactions

Clinic Name: ABC Family Practice
F.Y.E.: 12/31/2011

A-2-1 Related Party Transaction

Related Building Expenses	Column 4 A-2-1	Manually fill in these three columns only		Column 5 A-2-1
	Worksheet A Cost Report Trial Balance	Allowable Cost included in Worksheet A Trial Balance	Allowable Cost not included in Worksheet A Trial Balance	Total Allowable Cost Column 5
Depreciation	\$ -	\$ -	\$ 15,935	\$ 15,935
Interest	0	0	37,203	37,203
Insurance	4,407	4,407	0	4,407
Property Taxes	9,908	9,908	0	9,908
Repairs and Maintenance	1,222	1,222	456	1,678
Building Rent	115,200	0	0	0
Total Building Expenses	\$130,737	\$15,537	\$53,694	\$65,131

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Other Topics

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Depreciation

An appropriate allowance for depreciation on buildings and equipment used in provision of patient care is allowable cost.

Depreciation must be:

- Identifiable and recorded in accounting records
- Based on historical cost of asset or fair market value of donated assets
- Prorated over the estimated useful of asset

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Depreciation

- With few exceptions – straight line method of depreciation only method acceptable
- Depreciation on assets purchased with federal funds an allowable cost
- Depreciation on donated assets allowable
- Fully depreciated assets still in use can have a revised life assigned

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Interest Expense

Necessary and proper interest on current and capital indebtedness is an allowable cost.

Definitions:

- Interest – cost incurred for use of borrowed funds. Can be on current or capital indebtedness.
- Necessary – incurred on a loan made to satisfy a financial need of provider. Loans which result in excess funds are not necessary. Incurred on a loan made for a purpose reasonably related to patient care.

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Grants & Gifts

- Unrestricted grants and gifts not deducted from operating costs.
- Post October 1983 – restricted grants also not deducted from operating costs.
- Donated supplies and space not allowable cost (except if center is unit of state or local government).
- Grants made to cover all or portion of specific costs or groups of costs for a stated period of time are seed – money grants – not deducted from operating costs.

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Revenue Maximization Strategies

- Annually update fee schedule
- Coinsurance reimbursement
- Minimize non-reimbursable costs
 - Reduce overhead attributable to non-reimbursable costs
- Carve-out hours
- Medicare Advantage paying RHC rate?

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Revenue Maximization Strategies

Include all allowable costs

- Accrued vacation and sick pay.
- Depreciation - * donated assets
* fully-depreciated assets

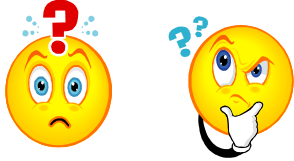
Properly record and count encounters

- **If you cannot bill for it – do not count it!**

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Questions?



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