Cost Reporting

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Promoting Access to Health Care
Objectives

• What you need to complete the cost report
• Where it is located on the cost report
• Common cost report calculations
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)
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
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
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.
Cost Reporting

Information Needed to Complete the RHC Cost Report
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
Information Needed to Complete the RHC Cost Report

- Medicare Bad Debt
- Laboratory Costs
- Non-RHC X-ray Costs
- PSR - obtained on-line through IACS
Information Needed to Complete the RHC Cost Report

NEW FOR 2011 and forward:

Preventative Charges for Medicare Beneficiaries
Worksheet S

Statistical Data Reporting

Promoting Access to Health Care
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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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
Financial Statements

- Balance Sheet
- Profit and Loss Statement
- Trial Balance
Financial Statements

● Must match cost reporting period
  – For most this will be 1/1/12 – 12/31/12.
  – For new clinics in 2012, financial statements must reflect costs from the date of the clinic’s certification to 12/31/12.

● Reasonable & Necessary
Financial Statements

- All costs from the financial statements must be reflected in columns 1 and 2 of worksheet A (independent) or M-1 (provider-based)
  - Column 1: Compensation
  - Column 2: All Other

- Expenses should be detailed enough to properly classify within cost report categories
Cost Report Categories

Cost Report has three main cost classifications:

– Healthcare Costs

– Facility Overhead

– Non-RHC/Non-Allowable
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
Allowable Cost of Compensation – Health Care Staff

- Salaries & Wages
- Paid vacation or leave, including holidays and sick leave
- Educational courses
- Unrecovered cost of medical services rendered to employees
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)
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
Facility Overhead

Facility Overhead – Facility Cost

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

Facility Overhead – Administrative

- Office Salaries
- Office Supplies
- Legal/Accounting
- Contract Labor
- Other Administrative Costs
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.
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
Lab/X-ray/EKG Allocations
Worksheet A-1

Lab, X-ray, EKG

- Billed to Part B by independent RHCs
- Billed through hospital and included in hospital costs for provider-based RHCs
Lab/X-ray/EKG Allocations Worksheet A-1

- Staff performing lab, X-ray, EKG duties

- Allocate % of time for non-RHC carve out for staff performing non-RHC lab/X-ray/EKG duties vs. RHC duties

- Time studies of staff to support the allocated carve out
Healthcare Wages Allocations Worksheet A-1

- Cost report calculations require wages to be classified by practitioner type/healthcare worker qualifications
- Most clinics do not have separate accounts on their financials for each type of healthcare provider/employee
- A reclassification is often required to ensure proper classification of healthcare staff wages
If a practitioner also performs administrative duties for the clinic, a portion of their compensation should be reflected in the Office Salaries cost center.

A reclassification may be required.

Calculate administrative reclassification based on ratio of administrative time.

**MAINTAIN TIME STUDIES**
Non-allowable Costs – Wksht A-2

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

Advertising Costs:
- Staff recruitment advertising allowable
- Yellow pages advertising allowable
- Advertising to increase patients not allowable
- Fund-raising advertising, not allowable

Taxes:
- Taxes levied by state and local governments are allowable if exemption not available
- Fines and penalties not allowable
Other Costs

**Membership Costs:**

Generally

- Professional, technical or business related organization allowable
- Social & Fraternal not allowable
- Research costs not allowable
- Translation services costs allowable
Non-RHC Expenses/Carve outs
Worksheet A-1 or A-2

- Where an RHC operates for certain specified hours as a non-RHC, a carve out/reclassification of related cost is necessary.
Inpatient Allocations – Wksht A-2

- Keep time studies for practitioners
- Calculate ratios: Clinic time versus Inpatient time
- Exclude compensation and benefit costs related to Inpatient activities (calculated using ratios above)
Adjustments to Medicare Depreciation Schedule – A-2

- Date Asset Purchased
- Description of Asset
- Cost of Asset

- Tax basis depreciation must be adjusted to Medicare (Straight Line) depreciation
Worksheet B / Worksheet M-2

Visit Reporting

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RHC Visits

- **Definition:** Face-to-face encounter with qualified provider during which covered services are performed.

- **Issues:** RHCs count non-billable encounters
  * No Charges
  * Injections
  * Non-qualified providers
  * Non-covered services
RHC Visits

- Broken down by provider type (MD, PA, NP)
- Count only face-to-face encounters
- Do not include visits for hospital, non covered services, non qualified providers or injections
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).
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)
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.
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)
Worksheet B-1 / Worksheet M-4

Vaccine Reporting

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Vaccine Information

Seasonal Influenza and Pneumovax

• Total vaccines given of each to ALL insurance types
• Total Medicare vaccines given of each (Medicare log must accompany cost report)
• Cost of vaccines (include invoices if possible)
• Total clinical hours worked – ALL clinical staff
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
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
# Vaccine Ratios

<table>
<thead>
<tr>
<th>Vaccination</th>
<th>Total Vaccines Given</th>
<th>Medicare Vaccines Given</th>
<th>Total Medical Supplies Cost</th>
<th>F.T.E. Total Staff Hours From Worksheet 4</th>
<th>Staff Time Ratio</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pneumovax</td>
<td>7</td>
<td>4</td>
<td>$562</td>
<td>10,617</td>
<td>0.000110</td>
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<tr>
<td>Seasonal Influenza</td>
<td>198</td>
<td>83</td>
<td>$2,147</td>
<td>10,617</td>
<td>0.003108</td>
</tr>
</tbody>
</table>

CLINIC NAME: ABC Family Practice
F.Y.E: 12/31/2011
# Vaccine Worksheet

## Vaccine Ratio Calculation

### WORKSHEET 6 - VACCINE INFORMATION

<table>
<thead>
<tr>
<th>Vaccination</th>
<th>Total Vaccines Given</th>
<th>Medicare Vaccines Given</th>
<th>Cost Per Dose</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pneumovax</td>
<td></td>
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<td></td>
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<tr>
<td>H1N1</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seasonal Influenza</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>H1N1 and Seasonal Influenza given on same day</td>
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</tbody>
</table>

Have you included the Pneumo and Seasonal Influenza vaccine invoices to support the cost per dose? YES _____ NO _____

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# Influenza Log

**Influenza Vaccination Log**

<table>
<thead>
<tr>
<th>Patients Name</th>
<th>Medicare or Ins. Number</th>
<th>Date of Service (DOS)</th>
<th>Charge</th>
</tr>
</thead>
<tbody>
<tr>
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</tbody>
</table>
# Pneumo Log

## Pneumococcal Vaccination (PPV) Log

<table>
<thead>
<tr>
<th>Patients Name</th>
<th>Medicare or Ins. Number</th>
<th>Date of Service (DOS)</th>
<th>Charge</th>
</tr>
</thead>
</table>

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

Related Party Transactions

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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
Related Party Transactions

- Related party building ownership cost items for reporting
  - Mortgage Interest
  - Property Taxes
  - Building Depreciation
  - Property Insurance
  - Repairs & Maintenance paid by building owners
  - Lawn Service, etc. – if not already in clinic expenses
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)
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:
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)
Medicare Bad Debt

- Medicare bad debt form must accompany cost report of total bad debt being claimed.

- Medicare bad debt is claimed on the cost report based on the fiscal year in which the bad debt was written off, not date of service.
## Listing of Medicare Bad Debts and Appropriate Supporting Data

### Worksheet 9 - Medicare Bad Debt Log

<table>
<thead>
<tr>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
<th>7</th>
<th>8</th>
<th>9</th>
<th>10</th>
<th>Column</th>
</tr>
</thead>
<tbody>
<tr>
<td>NPI-5</td>
<td></td>
<td>Medicaid</td>
<td>Recipient</td>
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</tr>
</tbody>
</table>

* These amounts must not be included unless provider bills for these services with the intention of payment. See instructions for outline and agency/waiver recipient for possible exceptions.*
Questions?