Cost Reporting

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Promoting Access to Health Care

Objectives

- What you need to 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

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.

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.

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

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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)

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

Worksheet A / Worksheet M-1

Expense Reporting

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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

<u>Overhead Costs</u>:

- 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

Administrative Allocations Worksheet A-1

- 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.
- See recent updates to Medicare Benefit Policy Manual – Section 90 – Commingling:

http://www.narhc.org/uploads/pdf/medicare_benefit_policy_manual_-_rev._1-31-13.pdf

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

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	$562	10,617	0.000110
Seasonal Influenza	198	83	$2,147	10,617	0.003108

Vaccine Worksheet

Vaccine Ratio Calculation

WORKSHEET 6 - VACCINE INFORMATION

CLINIC NAME	
F.Y.E:	

Vaccination	Total Vaccines Given	Medicare Vaccines Given	Cost Per Dose
Pneumovax			
H1N1			
Seasonal Influenza			
H1N1 and Seasonal Influenza given on same day			

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

Influenza Log

INFLUENZA VACCINATION
LOG

Provider Name:	
Provider Number:	
FYE:	

Patients Name	Medicare or Ins. Number	Date of Service (DOS)	Charge Fill Out Certification Notice

Pneumo Log

PNEUMOCOCCAL VACCINATION (PPV) LOG

Provider Name:	
Provider Number:	
FYE:	

Patients Name	Medicare or Ins. Number	Date of Service (DOS)	Charge Fill Out Certification Notice

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

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

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)

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

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.

Medicare Bad Debt

LISTING OF MEDICARE BAD DEBTS AND APPROPRIATE SUPPORTING DATA

CLINIC NAME:	
PROVIDER NUMBER:	
FYE:	

WORKSHEET 9 - MEDICARE BAD DEBT LOG

1	2	3	4		5	6	7	8	9	10	11	12
			Indigency & Med. Recip. (check if applicable)								Other Payments and Patient	COLUMNS (8+9-10-11=12)
Beneficiary Name	Beneficiary HIC No.	Date(s) of Service	Yes	*must supply Mod. #	Date First Bill Sent to Beneficiary	Write-Off Date	Medicare Paid Date	Medicare Deductible Bad debt	Medicare Co-Ins Bad debt	Medicaid Payment Amount	Payment Amounts	Total Bad debt

* These amounts must not be claimed unless provider bills for these services with the intention of payment. See instructions for outline 4 - indigency/welfare recipient, for possible exception.

Questions?