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Medicare Cost Report Basics and Special Designations

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What is a Medicare Cost Report?

- Annual filing required by CMS for various types of healthcare facilities
  - Hospitals
  - Rural Health Clinics (RHC)
  - Home Health Agencies (HHA)
  - Federally Qualified Health Centers (FQHC)
  - Community Mental Health Centers (CMHC)
- Generally due 5 months after you Fiscal Year End
- Generates a cost report settlement
- Helps set future rates
  - Often used by Medicaid and other downstream entities

Reimbursement Terms

- Nonallowable vs. Nonreimbursable
- PSR – Provider Statistical Reimbursement
  - Summary vs Detail
- Paid Claims Listing
- Cost Centers
- Revenue Codes
- Routine vs Ancillary
- XVIII = Medicare
- XIX = Medicaid

Cost Report Worksheets

- Wkst S – Settlement Page
- Wkst S-2 – Hospital Questionnaire
- Wkst S-3, Part I – Statistical Data – Beds, Volume
- Wkst S-10 – Uncompensated Care
- Wkst A – Expenses by Cost Center
- Wkst A-6 – Expense Reclasses
- Wkst A-7 – Capital Cost
- Wkst A-8 – Expense Adjustments
- Wkst A-8-2 – Physician Expense Adjustments
- Wkst A-8-3 – Contracted Therapy Expense
- Wkst B, Part I – Overhead Cost Allocations
- Wkst B, Part II – Capital Cost Allocations
- Wkst B-1 – Cost Allocation Statistics
- Wkst C – (Gross) Revenue (*Cost to charge*)
- Wkst D part I-IV – Cost Apportionment
- Wkst D part V – Outpatient Charges (XVIII & XIX)
- Wkst D-1 – Inpatient Costs (*Cost per day*)
- Wkst D-3 – Inpatient Charges (XVIII & XIX)
- Wkst E – Settlement Worksheets
  - E, Part A – Inpatient PPS
  - E, Part B – Outpatient
  - E-1 – Interim Payments & Lump Sums
  - E-2 – Swing Beds
  - E-3, Part V – Inpatient CAH
  - E-3, Part VII – Medicaid
- Wkst G – Balance Sheet
- Wkst G-3 – Income Statement
- Wkst H – Home Health Schedules
- Wkst M – RHC Schedules
- Wkst O – Hospice Schedules

Worksheet A

- Should reconcile to the Income Statement
- Examine your expenses to make sure you are claiming what is allowable
  - Physician standby time
  - CRNA Pass Thru
  - Provider Tax
  - Advertising
- Consider your accounting – are you claiming all costs?
- Know the difference between Nonallowables & Nonreimbursables
  - Nonallowable – items not reimbursed by Medicare, should be offset
  - Nonreimbursables – accumulate overhead costs

Worksheet B

- Know the relationship between B part I and B-1
  - B Part I – Actual cost allocation
  - B-1 – Statistical basis behind cost allocation
- Cost Report utilizes step-down cost allocation
- Examine cost allocations to ensure there are no double allocations
  - Capital costs – Square feet, Depreciation, Rented space
  - Employee Benefits
- Are you allocating costs to areas not using the overhead dept?
  - Plant Operations
  - Housekeeping
  - Dietary
  - Cafeteria

Worksheet C

- Cost to Charge Ratios – column 9
  - No CCR for routine areas
  - These are used to calculate Medicare cost
- Reports gross revenue
- Examine reporting to ensure proper match of costs and charges
  - Medical supplies
  - Drugs
  - Observation
- Has professional fee revenue been removed?
- Look for cost centers with cost but no revenue
  - Also look for charges with no cost

Worksheet D

- Cost apportionment schedules (Medicare share)
- Includes calculation of routine and ancillary cost
- Reports Medicare and Medicaid Charges
  - Look for cost centers with charges without cost
  - Also consider cost without charges
- D-1 reports inpatient routine cost
- D-3 reports inpatient charges
- D, part V reports outpatient charges
- Pay attention to worksheet headers
  - Separate schedules for XIX and XVIII

Worksheet E

- Settlement worksheets
- Settlement is difference between
  - Amounts paid by CMS to provider
    - PSR
    - Rate Letters (Lump Sums)
    - Biweekly Payments
    - PIP Payments
  - Amount earned thru the cost report
    - 101% of Medicare Cost
    - Medicare Bad Debts claimed (65%)

Importance of Financial Statements

- Income Statement drives the cost report
  - Gross Revenue
  - Operating Expenses
- Pay special attention to year over year changes
  - Outpatient Charges
- Sensitive to changes in pricing
- Cost Report payable does not mean bad financial health
- Be prepared for a Medicare payable
- Due to / Due from accounts/Reserves
- Provider Relief Reporting

Volume and Charges

- Inpatient reimbursement is mainly driven by days / volume
  - Wkst D-1 – Cost per day
  - Are subunits helping or hurting reimbursement
- Outpatient reimbursement is driven by charges
  - Increase in charges helps net income but dilutes CCRs

	Volume	
Days	100	125
Costs	100,000	100,000
Cost per Day	$1,000.00	$ 800.00

	Charges	
Charges	1,000,000	1,250,000
Costs	200,000	200,000
Cost to Charge	$ 0.20	$ 0.16

Reimbursement & Decision Making

- Rule of thirds – know your payor mix
- Departmental budgeting – consider Medicare subsidized cost
  - Does service line utilize Medicare? Medicaid?
- Invest in patient care areas
- Consider the nature of the costs
  - Is cost allowable or nonallowable?
- What is below the line on Worksheet A?
  - Are there opportunities for PB clinics?
  - Are the opportunities for RHCs?
- Does consolidation help or hurt?
- More detail is generally better, to an extent

Rural Health Clinics

- M Wksts
- Reimbursement based on cost per visit
- Medicare productivity standards
  - Not meeting productivity impacts cost per visit
- Tracking productive time – time studies
  - Know the difference between productive time and total time
- You can still claim Medicare bad debt!
- Vaccine Logs
  - Flu / Pneumo
  - Covid / Monoclonal Antibodies
- Significant reimbursement opportunities often overlooked
- Examine overhead cost allocations

Special Designations

- 340b Covered Entity
- Sole Community Hospital
- Medicare Dependent Hospital
- Rural Referral Center
- Rural Emergency Hospital
- Rural / Urban

Questions???

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