Cost report preparation - Four ways to improve accuracy

Presented by:

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Smart about revenue. Tenacious about results.

Agenda

- Matching Principle
- Basic Reimbursement Principles
- Four ways to improve accuracy
 - 1. Wage index hours analysis
 - 2. Impact of WS A-6 reclasses on wage Index
 - 3. Matching revenue reclasses and adjustments to WS A-6 reclasses and A-8 adjustments
 - 4. Understanding how your patient's care differs from how CMS pays for services





Matching Principle

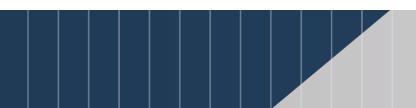
- The Matching Principle is a simple concept that can get lost in the complexity of healthcare finance. The principle states:
 - "Revenues should be matched against the expenses that created them"
- This may seem elementary, but what areas of healthcare make this difficult? How do we avoid these issues?





Basic Reimbursement Principles

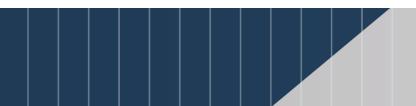
- Audit adjustments are indications of 2 things:
 - 1) Issues that Medicare/Medicaid are treating differently than the expectation of the preparer
 - 2) Mistakes made in the preparation





Basic Reimbursement Principles

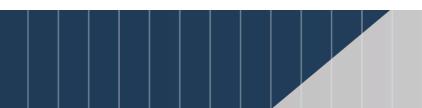
- When working on a cost report, accuracy is the most important aspect of the workpapers and supporting documentation that you prepare and present to the Medicare and Medicaid auditors
- Making sure that the documentation shows the step by step progression from the raw data to the conclusion is critically important





Four ways to improve accuracy

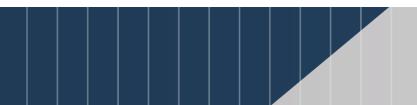
- 1. Wage index hours analysis
- 2. Impact of WS A-6 Reclasses on Wage Index
- 3. Matching Revenue Reclasses and Adjustments to WS A-6 Reclasses and A-8 Adjustments
- 4. Understanding how your patient's care differs from how CMS pays for services







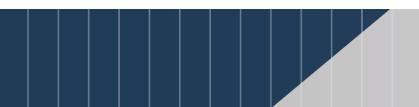
- When working on wage index, we need to identify the "Includable Hours" from the payroll system into the cost report.
 - What are includable Hours?
 - What are excluded Hours?







- What kind of tests can you run?
- How do you document?
- Who in the organization is making the reimbursement decisions?









#2Impact of WS A-6 reclasses on
wage index

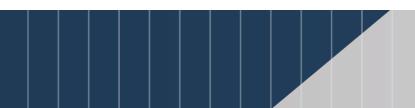
- The purpose of WS A-6 is to reclass or "move" expenses from one cost report line to another
- Why do we do that?
- WS A-6 has a salary component and an other component.
- For every salary reclass, we need to "follow the leader" with the included hours





#2Impact of WS A-6 reclasses on
wage index

- What types of reclasses do we have salary components of?
 - Departmental Reclasses
 - Employee Type Reclasses
 - Individual Employee Reclasses





Impact of WS A-6 reclasses on#2wage index

- In each case we need to identify the included hours and play "follow the leader".
- What is the best way to document this?
- What about WS A-8 Adjustments to Salaries?











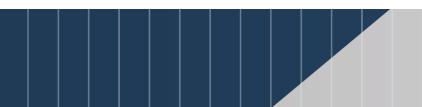
- Based on the matching principle WS C Revenues should start based on the GL Revenue and each departments mapped to the matching department for WS A
- Usually they are the same department so matching is easy, but some providers have different departments for Revenue vs.
 Expense.







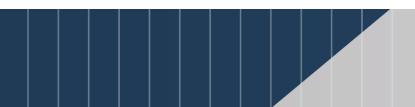
- Review all WS A-6 reclasses asking:
 - Does this have a Patient Treatment Revenue Impact?
 - What is the Revenue definition for the associated reclass?







- What types of reclasses have WS C impact?
 - Simple Reclasses
 - Allocation & Complex Reclasses







- Simple reclasses
 - Utilities, depreciation, benefits No
 - Medical supplies, implants, drugs Yes







- Allocation & Complex Reclasses
 - Cafeteria/dietary No
 - Radiology admin. Depends on the revenue
 - Labor, delivery, post-partum, recovery (LDRP) Yes







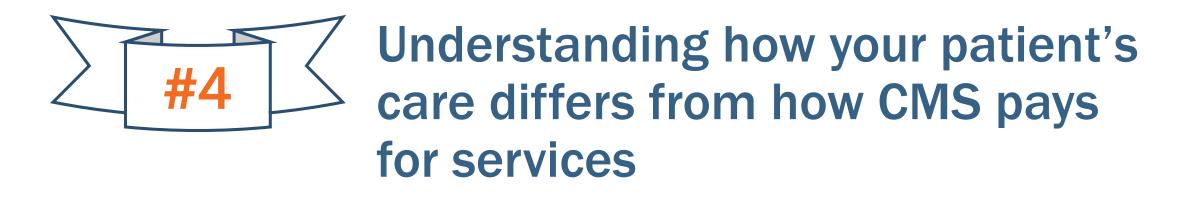
- When do WS A-8 Adjustments have Patient Treatment Revenue impact?
 - Physicians (WS A-8-2, and WS A-8)
 - CRNAs (WS A-8)
 - NPs and PAs (WS A-8)....Careful!
 - 340B







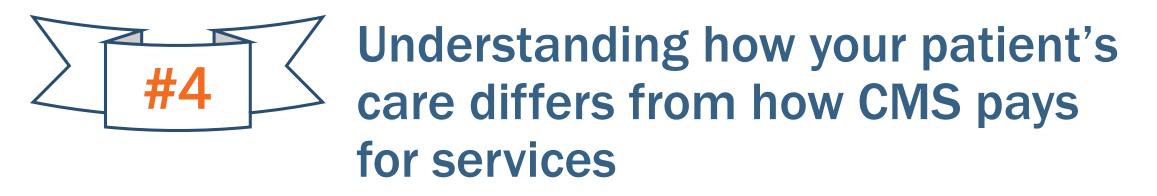




- Medicare requires some services to be accounted for in specific ways that are different from the way that we treat patients at most facilities. Some of these are well known:
 - Medical Supplies
 - Implants
 - Drugs







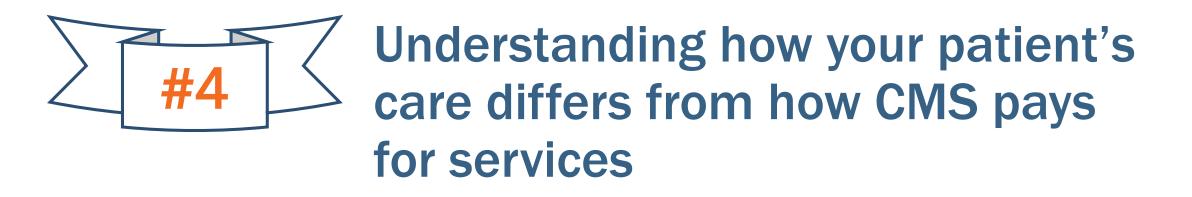
• Some of these services are more complex:

• LDRP

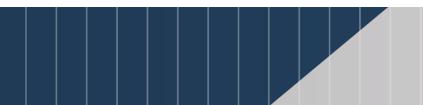
- Some services are just starting to pop up as issues:
 - Laboratory (Point of Care Tests)
 - Basic EKG Tests
 - Ultrasound



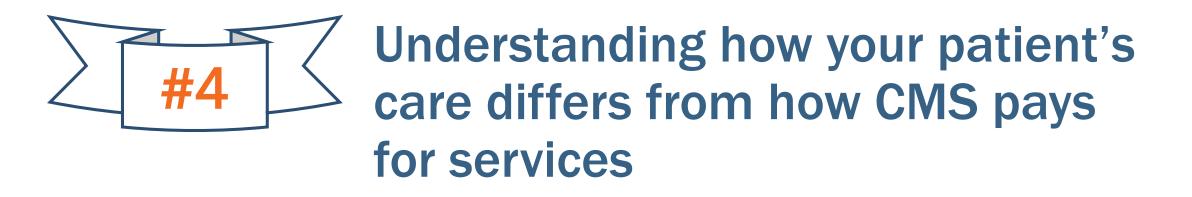




- How do we think through these issues?
 - Is there a way to segregate the expenses?
 - Is there a way to match the total revenue provided to all patients for these services with the expenses?







- How do we think through these issues?
 - Are the expenses the same per treatment for these services?
 - Besides reclassing expenses and revenues, what other options are there?









Question & Answers

Thank you

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