Cost Report 201 Worksheet A-6

Presented by:
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Andrew specializes in health care reimbursement with specific experience as a regulatory compliance auditor, a hospital reimbursement professional and a consultant to the health care and reimbursement industry. Andrew has been a speaker on topical health care subjects, specializing in cost report training and Medicare regulatory updates.

Andrew graduated from the University of Wyoming with a Bachelors degree in Finance.

Agenda

- What and Why of WS A-6 Reclassifications
- Simple Reclassifications vs. Complex Reclassifications
- Salary vs Other Reclassifications
- Capital Costs Reclassifications vs. Non Capital Reclassifications
- Discussion of the Downstream Impacts of A-6 Reclassifications to Various Other Cost Report Worksheets (The Domino Effect).
- Suggest Workpaper Preparation

Polls & Questions

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What and Why of WS A-6 Reclassifications

What and Why of WS A-6 Reclassifications

- In the Medicare cost report preparation process, there are many instances of required WS A-6 Reclassifications. In general, this worksheet provides for the reclassification of certain costs to effect proper cost allocation under cost finding.
- Reclassifications can be made for various reasons but one primary reason to differentiate between financial reporting and Medicare cost reporting. Most of the basic reclassifications come down to moving costs as identified in financial accounting for Medicare cost allocation and matching principle.

What and Why of WS A-6 Reclassifications

- Know your data! Focus on your general ledger and your facility specific operations that have a potential impact on the cost allocation and matching principal.
- Identify any reclassifications made as salary and other costs in the appropriate column. When the amounts are reflected on Worksheet A it is the transfer sum of the two columns.
- There are some specific WS A-6 Reclassification that we will review today, but there are many others potential reclassifications based on issues that arise from a provider's unique situations.

WS A Format

	A	B	C	D	E	F	G	H	I	J	K
1	RECLASSIFICATION AND ADJUSTMENTS OF TRIAL BALANCE OF EXPENSES					Provider CCN:		Period			
2								From:	07/01/2019	Worksheet A	
3								To:	06/30/2020		
4			Cost Center Description	Salaries	Other	Total (col. 1 + col. 2)	Reclassifications (See A-6)	Reclassified Trial Balance (col. 3 +- col. 4)	Adjustments (See A-8)	Net Expenses For Allocation	
5				1.00	2.00	3.00	4.00	5.00	6.00	7.00	
6		GENERAL SERVICE COST CENTERS									
7	1.00	00100	CAP REL COSTS-BLDG & FIXT		0	0	0	0	0	0	1.00
8	2.00	00200	CAP REL COSTS-MVBLE EQUIP		0	0	0	0	0	0	2.00
9	3.00	00300	OTHER CAP REL COSTS		0	0	0	0	0	0	3.00
10	4.00	00400	EMPLOYEE BENEFITS DEPARTMENT	0	0	0	0	0	0	0	4.00
11	5.00	00500	ADMINISTRATIVE & GENERAL	0	0	0	0	0	0	0	5.00
12	7.00	00700	OPERATION OF PLANT	0	0	0	0	0	0	0	7.00
13	8.00	00800	LAUNDRY & LINEN SERVICE	0	0	0	0	0	0	0	8.00
14	9.00	00900	HOUSEKEEPING	0	0	0	0	0	0	0	9.00
15	10.00	01000	DIETARY	0	0	0	0	0	0	0	10.00
16	11.00	01100	CAFETERIA	0	0	0	0	0	0	0	11.00
17	13.00	01300	NURSING ADMINISTRATION	0	0	0	0	0	0	0	13.00
18	14.00	01400	CENTRAL SERVICES & SUPPLY	0	0	0	0	0	0	0	14.00
19	15.00	01500	PHARMACY	0	0	0	0	0	0	0	15.00
20	16.00	01600	MEDICAL RECORDS & LIBRARY	0	0	0	0	0	0	0	16.00
21	17.00	01700	SOCIAL SERVICE	0	0	0	0	0	0	0	17.00
22	19.00	01900	NONPHYSICIAN ANESTHETISTS	0	0	0	0	0	0	0	19.00
23		INPATIENT ROUTINE SERVICE COST CENTERS									
24	30.00	03000	ADULTS & PEDIATRICS	0	0	0	0	0	0	0	30.00
25	43.00	04300	NURSERY	0	0	0	0	0	0	0	43.00
26		ANCILLARY SERVICE COST CENTERS									
27	50.00	05000	OPERATING ROOM	0	0	0	0	0	0	0	50.00
28	52.00	05200	DELIVERY ROOM & LABOR ROOM	0	0	0	0	0	0	0	52.00
29	53.00	05300	ANESTHESIOLOGY	0	0	0	0	0	0	0	53.00
30	54.00	05400	RADIOLOGY-DIAGNOSTIC	0	0	0	0	0	0	0	54.00
31	54.01	03440	MAMMOGRAPHY	0	0	0	0	0	0	0	54.01
32	54.03	03630	ULTRA SOUND	0	0	0	0	0	0	0	54.03
33	56.00	03450	RADIOISOTOPE	0	0	0	0	0	0	0	56.00
34	57.00	05700	CT SCAN	0	0	0	0	0	0	0	57.00
35	58.00	05800	MRI	0	0	0	0	0	0	0	58.00
36	60.00	06000	LABORATORY	0	0	0	0	0	0	0	60.00

Worksheet A-6 Format

A - Trial Balance of Expenses | A-6 - Reclassifications

Reclassifications:

[A] - DEFAULT | Update Reclass... | New Reclass... | Delete Reclass... | View All Reclasses

	A	B	C	D	E	F	G	H	I	J	K
1						Provider CCN:		Period			
2	RECLASSIFICATIONS							From:	07/01/2019	Worksheet A-6	
3								To:	06/30/2020		
4			Increases				Decreases			Wkst. A-7 Ref.	
5		Cost Center	Line #	Salary	Other	Cost Center	Line #	Salary	Other		
6		2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	
7			Total:	0	0		Total:	0	0		
8	1.00		0.00	0	0		0.00	0	0	0	1.00
9	2.00		0.00	0	0		0.00	0	0	0	2.00
10	3.00		0.00	0	0		0.00	0	0	0	3.00
11	4.00		0.00	0	0		0.00	0	0	0	4.00
12	5.00		0.00	0	0		0.00	0	0	0	5.00
13	6.00		0.00	0	0		0.00	0	0	0	6.00
14	7.00		0.00	0	0		0.00	0	0	0	7.00
15	8.00		0.00	0	0		0.00	0	0	0	8.00
16	9.00		0.00	0	0		0.00	0	0	0	9.00
17	10.00		0.00	0	0		0.00	0	0	0	10.00
18	11.00		0.00	0	0		0.00	0	0	0	11.00
19	12.00		0.00	0	0		0.00	0	0	0	12.00
20	13.00		0.00	0	0		0.00	0	0	0	13.00
21	14.00		0.00	0	0		0.00	0	0	0	14.00
22	15.00		0.00	0	0		0.00	0	0	0	15.00
23	16.00		0.00	0	0		0.00	0	0	0	16.00
24	17.00		0.00	0	0		0.00	0	0	0	17.00
25	18.00		0.00	0	0		0.00	0	0	0	18.00

What and Why of WS A-6 Reclassifications

- Common Reclassifications:
  - Medical Supply Expense, Drug Expense, Implant Expense
  - Capital Related Expense
    - (Depreciation, Rental Expense, Interest, Insurance & Taxes)
- Potential Unique Reclassifications:
  - OB/Labor & Delivery/Nursery Expenses
  - Cafeteria/Dietary Expenses
  - Patient Related Services Administrative Expense
  - Other to Salary and Salary to Other

Simple Reclassifications vs. Complex Reclassifications

Simple Reclassifications vs. Complex Reclassifications

- Simple reclassifications is the identifying the direct expense based on general ledger amounts and reclassifying the expense posted in the general ledger to the appropriate Medicare cost report line number.
- Examples are Medical Supplies, Drugs, Implants, Interest Expense, Depreciation, Insurance, Taxes, etc.

Simple Reclassifications vs. Complex Reclassifications

- Complex reclassifications is the identifying the expense on general ledger amounts and utilizing an outside source or methodology to determine the reclassification amounts and appropriate cost report line numbers.
- Examples are OB/Labor & Delivery/Nursery (Revenue or Other Split), Cafeteria (Patient Meals vs. Equivalent Guest/Employee Meals), Patient Related Direct Expense (Revenue or Other Split)

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Salary vs Other Reclassifications

Salary vs Other Reclassifications

- Identifying cost report grouping issues and making the appropriate reclassifications

- Salary amounts paid to an employee in addition to direct salaries or wages (such as paid vacation, holiday, sick, other paid-time-off (PTO), severance, and bonus pay) must be reported on Worksheet A, column 1, of the same cost center as the employees' direct salaries and wages. For example, if the indirect salaries (such as paid vacation, holiday, sick, other paid-time-off (PTO), severance, and bonus pay) are reported in the "Employee Benefits" cost center or in column 2 of the cost where the related direct salary and wages are reported, a reclassification entry must be made to reclassify them to column 1 of the cost center(s) in which the related direct salaries and wages are reported.

- Provider Reimbursement Manual, Part 2, Section 4014

Accounting for Prior Reclassifications

- It is necessary to make sure that previous A-6 Reclassifications are incorporated into complex reclassifications so expenses that are moved are not duplicated.

- Prior common reclassifications that should be considered are Medical Supply Expense, Drug Expense, Implant Expense, Salary & Benefit Expense, Capital Related Expense (Depreciation, Rental Expense, Interest, Insurance & Taxes), and any other reclassification that impacts multiple cost report lines.

Capital Cost Reclassifications vs. Non-Capital Cost Reclassifications

- Capital Cost and Non-Capital Costs are usually are associated with distinct type of expenses
- Consistent cost finding methods for classifying and allocating capital related costs
- Determination of directly assigned capital costs vs step-down capital costs
- The link between WS A-6 Reclassifications and WS A-7 Analysis of Capital

Worksheet A

A-6 - Reclassifications | A - Trial Balance of Expenses

	A	B	C	D	E	F	G	H	I	J	K
1	RECLASSIFICATION AND ADJUSTMENTS OF TRIAL BALANCE OF EXPENSES					Provider CCN:		Period			
2								From:	07/01/2019	Worksheet A	
3								To:	06/30/2020		
4			Cost Center Description	Salaries	Other	Total (col. 1 + col. 2)	Reclassifications (See A-6)	Reclassified Trial Balance (col. 3 +- col. 4)	Adjustments (See A-8)	Net Expenses For Allocation	
5				1.00	2.00	3.00	4.00	5.00	6.00	7.00	
6		GENERAL SERVICE COST CENTERS									
7	1.00	00100	CAP REL COSTS-BLDG & FIXT		0	0	1,033,333	1,033,333	0	1,033,333	1.00
8	2.00	00200	CAP REL COSTS-MVBLE EQUIP		0	0	16,667	16,667	0	16,667	2.00
9	3.00	00300	OTHER CAP REL COSTS		50,000	50,000	-50,000	0	0	0	3.00
10	4.00	00400	EMPLOYEE BENEFITS DEPARTMENT	0	0	0	0	0	0	0	4.00
11	5.00	00500	ADMINISTRATIVE & GENERAL	0	0	0	100,000	100,000	0	100,000	5.00

Worksheet A-6 & WS A-7

A - Trial Balance of Expenses | A-6 - Reclassifications | A-7 - Analysis of Capital

Reclassifications:

[A] - INTEREST EXPENSE | Update Reclass... | New Reclass... | Delete Reclass... | View All Reclasses

	A	B	C	D	E	F	G	H	I	J	K
1						Provider CCN:		Period			
2	RECLASSIFICATIONS							From:	07/01/2019	Worksheet A-6	
3								To:	06/30/2020		
4		Increases				Decreases				Wkst. A-7 Ref.	
5		Cost Center	Line #	Salary	Other	Cost Center	Line #	Salary	Other		
6		2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	
8	1.00	CAP REL COSTS-BLDG & FIXT	1.00	0	1,000,000	INTEREST EXPENSE	113.00	0	1,100,000	11	1.00
9	2.00	ADMINISTRATIVE & GENERAL	5.00	0	100,000		0.00	0	0	0	2.00
10	3.00		0.00	0	0		0.00	0	0	0	3.00
11	4.00		0.00	0	0		0.00	0	0	0	4.00
12	5.00		0.00	0	0		0.00	0	0	0	5.00
13	6.00		0.00	0	0		0.00	0	0	0	6.00
14	7.00		0.00	0	0		0.00	0	0	0	7.00
15	8.00		0.00	0	0		0.00	0	0	0	8.00
16	9.00		0.00	0	0		0.00	0	0	0	9.00

A - Trial Balance of Expenses | A-6 - Reclassifications | A-7 - Analysis of Capital

Part I | Part II | Part III

	A	B	C	D	E	F	G	H	I	J	K	L	M	N	O	P	Q	R
1													Provider CCN:		Period			
2	RECONCILIATION OF CAPITAL COSTS CENTERS														From:	07/01/2019	Worksheet A-7, Part III	
3															To:	06/30/2020		
4			COMPUTATION OF RATIOS			ALLOCATION OF OTHER CAPITAL					SUMMARY OF CAPITAL							
5		Description	Gross Assets	Capitalized Leases	Gross Assets for Ratio (col. 1 - col. 2)	Ratio (see instructions)	Insurance	Taxes	Other Capital-Related Costs	Total (sum of cols. 5 through 7)	Depreciation	Lease	Interest	Insurance (see instructions)	Taxes (see instructions)	Other Capital-Related Costs (see instructions)	Total (2) (sum of cols. 9 through 14)	
6			1.00	2.00	3.00	4.00	5.00	6.00	7.00	8.00	9.00	10.00	11.00	12.00	13.00	14.00	15.00	
7		**PART III - RECONCILIATION OF CAPITAL COSTS CENTERS**																
8	1.00	CAP REL COSTS-BLDG & FIXT	50,000,000	0	50,000,000	0.666667	33,333	0	0	33,333	0	0	1,000,000	33,333	0	0	1,033,333	1.00
9	2.00	CAP REL COSTS-MVBLE EQUIP	25,000,000	0	25,000,000	0.333333	16,667	0	0	16,667	0	0	0	16,667	0	0	16,667	2.00
10	3.00	Total (sum of lines 1-2)	75,000,000	0	75,000,000	1.000000	50,000	0	0	50,000	0	0	1,000,000	50,000	0	0	1,050,000	3.00
11	(2) The amounts on lines 1 and 2 must equal the corresponding amounts on Worksheet A, column 7, lines 1 and 2. Columns 9 through 14 should include related Worksheet A-6 reclassifications, Worksheet A-8 adjustments, and Worksheet A-8-1 related organizations and home office costs. (See instructions.)																	

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Polls & Questions

The Domino Effect

The Domino Effect (A.K.A. Downstream Impact)

- In the Medicare cost report preparation process, there are many instances of an analysis or an issue that happens on one page of the report that has a direct relationship to information later on in the cost report. It is important for the preparer to identify all of the downstream impact of the information analysis or issue.

- There are some specific examples for WS A-6 Reclassifications that we will review today, but there are many others based on issues that arise from a provider's unique situations.

Domino Effect Issues

WS A-6 Reclasses in particular can cause changes in multiple areas of the cost report.

The fact that an A-6 Reclass moves a particular type of expense to a new location causes the dominos to fall in the related items (stats, revenues, etc.) due to the matching principle.

In fact, if you think about the WS A-6's most of them have the potential to cause a downstream impact.

Domino Effect Issues

1. WS A-6 reclasses impact on other parts of the cost report including but not limited to:
   - WS S-3, Part II, Wage Index (Salary and Hours, Wage Related Costs, Contract Labor)
   - WS A-8 Adjustments (Non-Allowable Expenses, Operating & Non Operating Expense/Revenue, Provider Based Physicians)
   - WS B, Part II, Col. O and WS B-1 Statistics (Directly Assigned Capital Costs, Square Feet, Salaries, Meals, Pounds of Linen, FTEs, Hours)
   - WS C Patient Revenue (Cost to Charges matching principles)

Domino Effect Issues

Simple reclasses with domino effects:

- Equipment Rent Reclassification
- Salary or Benefits Reclassification
- Utility Reclassification
- Medical Supplies/Implants/Drugs Reclassification
- Common Reclassification

Domino Effect Issues

More complicated Reclasses with Domino Effects:

- Social worker reclass
- Radiology Admin reclass

Complex Reclasses with Domino Effects:

- Cafeteria/Dietary reclass
- LDRP reclass

For a deeper dive into Domino Effect watch:
https://www.besler.com/webinar-the-medicare-cost-report-domino-effect/

Easy Work Papers

Suggested Workpaper Preparation

Downstream Impact of A-6 Reclasses

- Perform all of the impact for each reclass in one location and reference the results (Copy, VLOOKUP, WP Ref) to the appropriate downstream workpapers. Automation on this on is extremely helpful.

A-6s & A-8s that utilize CCRs

- The best solution for these is to process these items basically at the end of the report.
- Create the CY cost report, save it to a PDF, and then use the CCR from that report for the A-6s and/or A-8s.
- I would attach a copy of the PDF to my workpaper set to ensure I can prove that this was the correct CCR to use at the time of the cost report preparation.

In summary most of these issues can be resolved by the following:

1. Be organized in your workpaper sets
2. Perform all the analysis of an issue in one location (specifically A-6s)
3. Maintain a list of the workpapers that have a domino effect
4. Perform last minute verification that the downstream data is correct
5. Take the time to prepare and process your workpapers.

Easy Work Papers is a software solution that automates the majority of the preparation for hospital cost reports and supporting workpapers.

Cost Report Preparation is an end-to-end service that includes completion and submission of the cost report to a hospital's specific Medicare Administrative Contractor.

Cost Report Reviews can fix common errors allowing hospitals to receive corrected payments without having to wait for final settlement of the Medicare Cost Report.

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Medicare Cost Report Reviews and Preparation	Disproportionate Share Reviews (DSH)
S10 Review and Refiling	Medicare Geographic Classifications
Wage Index Opportunity and Analysis	Medicare Appeals and Regulatory Analysis
Reimbursement Technology	Organ Acquisition

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