CPAs & BUSINESS ADVISORS

COST REPORT BOOTCAMP

Iowa HFMA Spring Meeting | April 2025

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COST REPORT OVERVIEW

COST REPORT OVERVIEW

Objectives

- Gain a basic understanding of the Medicare cost report.
- Understand the purpose and use of the Medicare cost report.
- Become familiar with the primary cost report worksheets.
- Gain a basic understanding of how the Medicare final settlement for Inpatient, Outpatient, Swing-bed and Rural Health Clinic services is determined.

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COST REPORT OVERVIEW

- **Purpose and use of the Cost Report:**
  - Mandatory submission for Hospitals participating in Medicare program.
  - Medicare costing system.
  - Determines Medicare reimbursement settlement for CAH cost-based services:
    - Inpatient – cost per day
    - Swing-bed – cost per day
    - Outpatient – cost per charge
    - Rural Health Clinic – cost per visit

COST REPORT OVERVIEW

- **Purpose and use of the Cost Report:**
  - Used by outside entities to evaluate hospitals (state agencies, commercial insurers, peers/competitors).
  - Due five months after fiscal year end.
  - Subject to annual audits by MAC:
    - Desk reviews, field or remote audits.
  - MAC issues a Notice of Program Reimbursement (NPR) after review/audit is complete.

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COST REPORT OVERVIEW

- **General:**
  - The cost report includes the costs and charges for hospital services and excludes costs (after elimination) and charges related to Part B physician services.
  - The "matching" principle – departmental costs and charges must be consistent:
    - Development of cost per day.
    - Development of cost to charge ratios.
    - Development of cost per visit.

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COST REPORT OVERVIEW

- **Cost Center Types:**
  - General service cost centers:
    - Capital costs.
    - Overhead costs.
    - Allocated based on step-down methodology.
  - Routine.
  - Ancillary.
  - Other allowable.
  - Nonallowable.

COST REPORT OVERVIEW

Cost reimbursement explained

Formula	Principle
Hospital Costs	Allowable Costs Related to Patient Care
÷ Hospital Units of Service	Consistent Charge Structure for all Payors
= Cost Per Unit	Cost to Charge Ratio / Per Diem
x Medicare Units of Service	Medical Necessity
= Medicare Costs / Reimbursement	

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COST REPORT OVERVIEW

Cost reimbursement further defined

Room & Board	Ancillary	Cost Report Worksheet
Direct Costs	Direct	A
+ Overhead Costs	+ Overhead Costs	B
= Total Department Costs	= Total Department Costs	
÷ Total Patient Days	÷ Revenues	C & D-1
= Per Diem Costs	= Cost to Charge Ratio	
X Medicare Days	X Medicare Revenue	D-1, D-3 & D, V
= Medicare Costs	= Medicare Costs	D-1, D-3 & D, V
- Deductibles/Coinsurance	- Deductibles/Coinsurance	E Series
= Net Due From Medicare	= Net Due From Medicare	E Series

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COST REPORT OVERVIEW

Considerations:

- Every transaction/decision within your CAH has an impact on the cost report and your Medicare reimbursement.
- Staffing
- Purchase of building/equipment
- Leasing
- Practitioner contracts
- New Services/Exiting of Services
- Patient volumes

COSTS ARE NOT REIMBURSED AT THE SAME LEVEL

- Medicare reimburses costs on a department-by-department basis:
  - Reimbursement for an individual department is based on the Medicare utilization of that department:
    - Days for room and board.
    - Charges for ancillaries.

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COSTS ARE NOT REIMBURSED AT THE SAME LEVEL

TYPICALLY HIGHER

- Inpatient/swing bed
- Operating Room
- Pharmacy

TYPICALLY LOWER

- Lab
- Radiology
- Emergency Room

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CAHS CANNOT SPEND THEIR WAY TO SUCCESS

Increasing allowable costs will increase revenues, but will it improve profitability?

NO!

COST REPORT OVERVIEW

- **Commonly used source data in a cost report:**
  - General ledger.
  - Labor distribution and payroll reports.
  - Revenue usage report by department and financial class.
  - Patient census data.
  - Overhead allocation statistics:
    - Square footage.
    - FTEs.
    - Pounds of laundry.
    - Dietary meals.
  - Provider Statistical & Reimbursement Report (PS&R).

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COST REPORT OVERVIEW

- **Basic data preparation hints:**
  - Reconcile data from general ledger to supporting documents:
    - Other revenue detail.
    - Department wages and related hours.
    - Census statistics to revenue usage report.
    - Review revenue code crosswalk for Medicare revenue codes used by general ledger departments.
    - Matching of expenses, revenue and Medicare revenue by cost report line.
  - Coding of expenses on general ledger.

WORKSHEET SERIES

WORKSHEET SERIES

Worksheet S series

- Statistical and other information:
  - Hospital specifics (S-2)
  - Bed and census information (S-3)
  - Uncompensated care information (S-10)

Worksheet A series

- Expenses:
  - Summary of costs (A)
  - Reclassification of costs (A-6)
  - Adjustments to costs (A-8, A-8-1, A-8-2)
  - Capital assets (A-7)

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WORKSHEET SERIES

Worksheet B series

- Overhead allocations:
  - Statistics (B-1)
  - Allocation of costs (B part I)
  - Capital related costs (B part II)

Worksheet C series

- Gross patient service revenue
- Calculation of cost to charge ratios

Worksheet D series

- Medicare charges
- Calculation of Medicare cost

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WORKSHEET SERIES

Worksheet E series

- Calculation of cost settlement:
  - E part B – Outpatient
  - E-1 Interim payments
  - E-2 Swing-bed
  - E-3 Inpatient

Worksheet G series

- Balance Sheet and Statement of Revenue and Expenses

Worksheet M series

- Rural Health Clinic (mini-cost report)

* Disclaimer – for example purposes, certain lines, columns on worksheets may have been modified/deleted.

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WORKSHEET S

SETTLEMENT AND SIGNATURE PAGE

Summary of amounts due to or due from Medicare.

HOSPITAL AND HOSPITAL HEALTH CARE COMPLEX — Provider CCN: 99-9999

COST REPORT CERTIFICATION AND SETTLEMENT SUMMARY — Worksheet S

	PART III - SETTLEMENT SUMMARY			1	Part A 2	Part B 3
1	HOSPITAL		99-9999	0	(172,136)	91,764
2	SUBPROVIDER - IPF			0	-	-
3	SUBPROVIDER - IRF			0	-	-
5	SWING BED - SNF		99-Z999	0	(219,621)	-
6	SWING BED - NF		99-Z999	0		
10	RURAL HEALTH CLINIC I		99-3999	0		164,290
200	TOTAL			0	(391,757)	256,054

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WORKSHEET S-2, I & II

WORKSHEET
S-2 PART I&II

- Provider organization & operation
- Financial data and reports
- CRNA passthrough
- Bad debts
- PS&R report data
- Capital related cost
- Interest expense
- Purchased services
- Provider based physicians
- Home office costs

WORKSHEET S-3
PART I

WORKSHEET S-3, PART I

Purpose:

To provide statistical information on CAH hours, patient days, observation, FTEs, and inpatient discharges. These statistics will be used throughout the cost report in various calculations.

SOURCE OF DATA

- Provider's statistical reports.
- Revenue and usage report.
- PS&R data.
- Internal spreadsheets.

WORKSHEET S-3 PART I

HOSPITAL AND HOSPITAL HEALTH CARE COMPLEX STATISTICAL DATA							Worksheet S-3, Part I
	Component	WS A	Beds	Bed Days Available	CAH Hours	IP days/OP visits/Trips	
						Title XVIII	Title XIX	All
	Column	1	2	3	4	6	7	8
	PART I - STATISTICAL DATA					PS&R		
1	Hospital Adults & Peds.	30	17	6,222	9,474.97	312	0	500
2	HMO and other (see instructions)					6	0	
5	Hospital Adults & Peds. Swing Bed SNF					429	0	450
6	Hospital Adults & Peds. Swing Bed NF						0	62
7	Total Adults and Peds. (exclude observation beds)		17	6,222	9,474.97	741	0	1,012
8	INTENSIVE CARE UNIT							
13	NURSERY							
14	Total (see instructions)		17	6,222	9,474.97	741	0	1,012
15	CAH visits					4,125	210	7,209
21	OTHER LONG TERM CARE	46	48	17,568				10,668
22	HOME HEALTH AGENCY							
25	CMHC - CMHC							
26	RHC (CONSOLIDATED)	88				3,479	355	7,000
26	FEDERALLY QUALIFIED HEALTH CENTER	89				0	0	0
27	Total (sum of lines 14-26)		65					
28	Observation Bed Days						0	98
29	Ambulance Trips					0		

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PATIENT DAYS

IMPACT OF ACCURATE PATIENT DAYS

Impact of inaccurate days:

- Overstatement of days = under payment.
- Understatement of days = over payment.

Errors come from:

- Misstated days – tie to usage report.
- Test patient days included in count.
- Hospice, Labor and Delivery days, etc.

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PATIENT DAYS

IP Routine (Adult/Peds) Direct & Indirect (Allocated) Costs

Adult & Peds Days + Swingbed SNF Days + Observation Days Equivalent

= Routine Cost per Day

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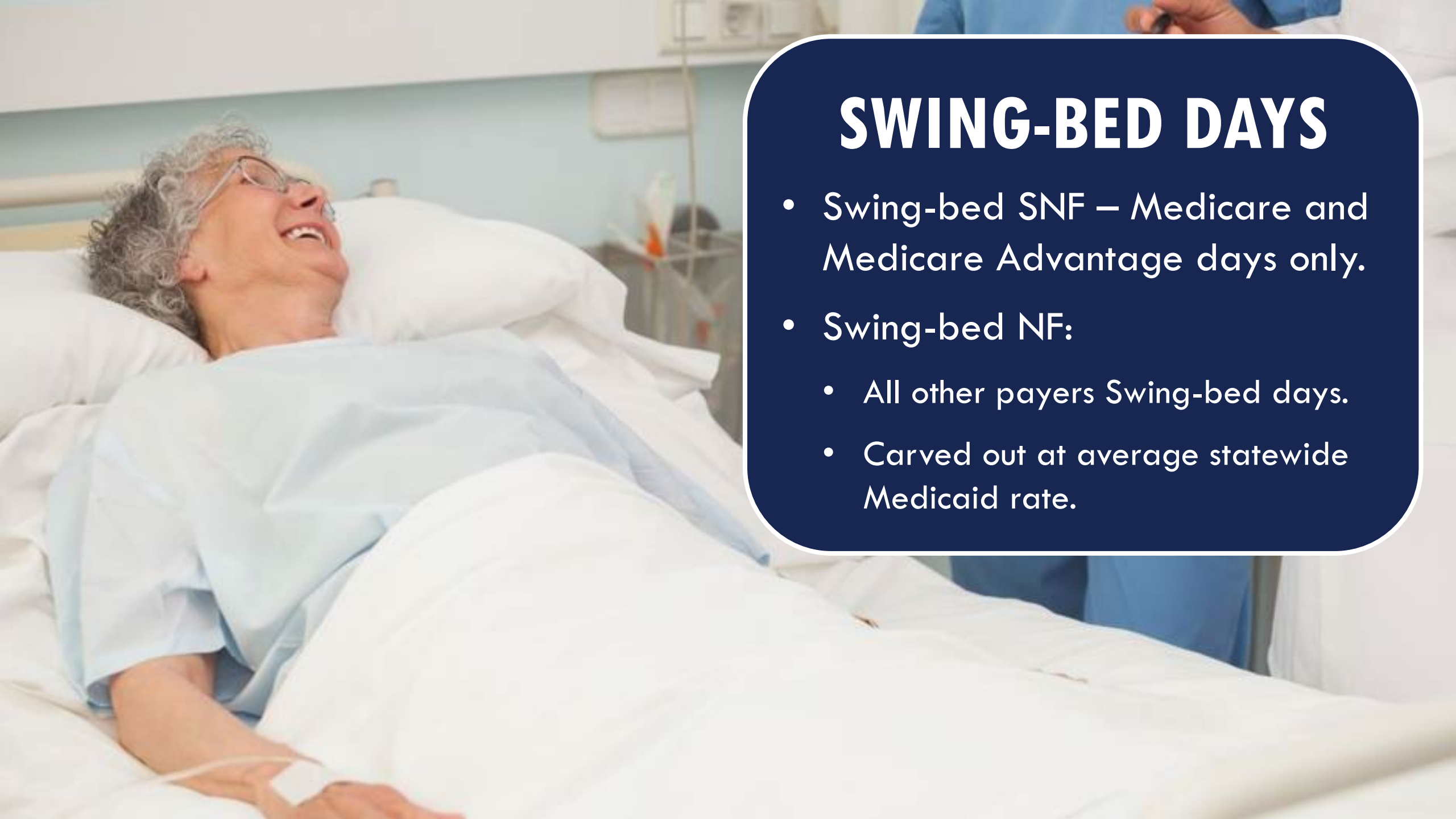

SWING-BED DAYS

- Swing-bed SNF – Medicare and Medicare Advantage days only.
- Swing-bed NF:
  - All other payers Swing-bed days.
  - Carved out at average statewide Medicaid rate.

SWING-BED DAYS – ISSUE

- Significant variance between Medicare PSR and reported internal Medicare Swing-bed days.
- Were they really Medicare days and reported on Swing-bed SNF line?

SWING-BED DAYS – ISSUE

Are there outstanding days in accounts receivable at time of PSR for period before end of fiscal year?

Original admit entered as Medicare, but subsequently changed payer source. Were Medicare days exhausted?

Changed payer source part way through stay, but system still listed as Medicare.

Split billing patient at the end of the fiscal year.

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WORKSHEET A

WORKSHEET A

- Purpose:
  - To report expenses in a standardized format for computation of expenses by cost center, allowing for reclassifications and adjustments for proper statement of expenses allowed by Medicare.
- Type & source of data:
  - Source data will come from hospital's general ledger/financial statements.
  - Must have breakouts:
    - Salaries.
    - Other.

TYPES OF COST CENTERS

- General Service
- Inpatient Routine Service
- Ancillary Service
- Outpatient Services
- Other Reimbursable
- Special Purpose
- Non-Reimbursable

Worksheet A total expenses must tie to financial statement total expenses or have reconciliation!!!

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- **Worksheet begins process of matching expenses to revenues:**
  - In order to do this properly, need to understand what the department/cost center is for, where is the revenue, if any?
  - Provide cost report preparer with explanations regarding what each new department represents. Purpose, patients served, who is providing the service, where.
  - Almost every new account, unless small balance and part of existing department should be understood.
  - There are often significant issues in this area:
    - Preparers not understanding the nature of revenues and expenses.
    - Providers not understanding all the changes that have occurred in their facility.

Considerations for new cost centers (strategy opportunity):

- Ability to properly segregate revenues and expenses.
- Impact on reimbursement.
- Required?

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CODING OF EXPENSES

- Imperative to code expenses properly on general ledger to ensure proper reimbursement.
- Each department has its own Medicare percentage that is cost reimbursed creating this importance.
- Largest expense for most hospitals is labor, very important to ensure wages are in correct departments for the revenue being generated.
- Recommend all labor be coded to correct department on general ledger rather than doing reclassifications on cost report:
  - Provider expenses coded separately.

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WORKSHEET A

RECLASSIFICATION AND ADJUSTMENTS OF TRIAL BALANCE OF EXPENSES		Provider CCN:		99-9999				Worksheet A
	Cost Center Description	Salaries	Other	Total	Reclass A-6	Reclassed TB	Adj. A-8	Expense for Allocation
		1	2	3	4	5	6	7
GENERAL SERVICE COST CENTERS								To B Part I
1	CAP REL COSTS-BLDG & FIXT		750,000	750,000	(229,011)	520,989	(124,362)	396,627
2	CAP REL COSTS-MVBLE EQUIP		-	-	363,006	363,006	-	363,006
4	EMPLOYEE BENEFITS DEPARTMENT	-	2,650,000	2,650,000	-	2,650,000	-	2,650,000
5.01	BUSINESS OFFICE	170,000	9,000	179,000	154,465	333,465	(10,246)	323,219
5.02	INFORMATION TECHNOLOGY	140,846	411,063	551,909	-	551,909	-	551,909
5.03	OTHER ADMINISTRATIVE AND GENERAL	542,568	709,944	1,252,512	15,095	1,267,607	(129,615)	1,137,992
7	OPERATION OF PLANT	194,000	65,000	259,000	-	259,000	(5,346)	253,654
7.01	UTILITIES - HOSPITAL	-	275,000	275,000	-	275,000	(2,901)	272,099
8	LAUNDRY & LINEN SERVICE	62,123	7,199	69,322	-	69,322	-	69,322
9	HOUSEKEEPING	259,000	30,000	289,000	-	289,000	-	289,000
10	DIETARY	400,000	175,000	575,000	-	575,000	(30,982)	544,018
11	CAFETERIA	-	-	-	-	-	-	-
13	NURSING ADMINISTRATION	248,369	7,294	255,663	-	255,663	-	255,663
16	MEDICAL RECORDS & LIBRARY	134,480	21,006	155,486	-	155,486	(479)	155,007
17	SOCIAL SERVICE	170,000	5,000	175,000	-	175,000	-	175,000
19	NONPHYSICIAN ANESTHETISTS	106,482	11,988	118,470	(106,623)	11,847	-	11,847
INPATIENT ROUTINE SERVICE COST CENTERS								
30	ADULTS & PEDIATRICS	1,039,000	115,000	1,154,000	-	1,154,000	(2,768)	1,151,232
46	OTHER LONG TERM CARE	1,387,000	825,000	2,212,000	21,909	2,233,909	(3,371)	2,230,538
ANCILLARY SERVICE COST CENTER								
50	OPERATING ROOM	33,655	45,488	79,143	104,800	183,943	-	183,943
53	ANESTHESIOLOGY	-	-	-	-	-	-	-
54	RADIOLOGY - DIAGNOSTIC	282,082	316,516	598,598	-	598,598	-	598,598
60	LABORATORY	337,000	420,600	757,600	-	757,600	(38,647)	718,953
66	PHYSICAL THERAPY	369,000	18,963	387,963	-	387,963	-	387,963
67	OCCUPATIONAL THERAPY	-	46,429	46,429	-	46,429	-	46,429
68	SPEECH PATHOLOGY	-	16,587	16,587	-	16,587	-	16,587
71	MEDICAL SUPPLIES CHARGED TO PATIENTS	-	13,135	13,135	(11,312)	1,823	-	1,823
73	DRUGS CHARGED TO PATIENTS	216,829	890,857	1,107,686	-	1,107,686	(395,124)	712,562
75.01	SLEEP LAB	-	19,279	19,279	-	19,279	-	19,279
75.02	DIABETIC EDUCATION	51,145	10,632	61,777	(60,963)	814	-	814
OUTPATIENT SERVICE COST CENTERS								
88	RURAL HEALTH CLINIC	1,614,404	389,829	2,004,233	(201,266)	1,802,967	(88,571)	1,714,396
91	EMERGENCY	900,000	81,124	981,124	74,262	1,055,386	(141,741)	913,645
92	OBSERVATION BEDS (NON-DISTINCT PART)							
SPECIAL PURPOSE COST CENTERS								
113	INTEREST EXPENSE		124,362	124,362	(124,362)	-	-	-
118	SUBTOTALS (SUM OF LINES 1 through 117)	8,657,983	8,461,295	17,119,278	-	17,119,278	(974,153)	16,145,125
NONREIMBURSABLE COST CENTERS								
194	GUEST MEALS/MOW	-	-	-	-	-	-	-
194	RENTAL SPACE	-	-	-	-	-	-	-
194	OUTPATIENT MEALS	-	-	-	-	-	-	-
194	GENTLE TOUCH	-	9,000	9,000	-	9,000	-	9,000
194	NON-MEDICARE HOME HEALTH	29,351	3,837	33,188	-	33,188	-	33,188
200	TOTAL (SUM OF LINES 118 through 199)	8,687,334	8,474,132	17,161,466	-	17,161,466	(974,153)	16,187,313

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WORKSHEET A – GENERAL SERVICE COST CENTERS

RECLASSIFICATION AND ADJUSTMENTS OF TRIAL BALANCE OF EXPENSES		Provider CCN:	99-9999				Worksheet A
	Cost Center Description	Salaries	Other	Total	Reclass A-6	Reclassed TB	Adj. A-8	Expense for Allocation
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2	CAP REL COSTS-MVBLE EQUIP		-	-	363,006	363,006	-	363,006
4	EMPLOYEE BENEFITS DEPARTMENT	-	2,650,000	2,650,000	-	2,650,000	-	2,650,000
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11	CAFETERIA	-	-	-	-	-	-	-
13	NURSING ADMINISTRATION	248,369	7,294	255,663	-	255,663	-	255,663
16	MEDICAL RECORDS & LIBRARY	134,480	21,006	155,486	-	155,486	(479)	155,007
17	SOCIAL SERVICE	170,000	5,000	175,000	-	175,000	-	175,000
19	NONPHYSICIAN ANESTHETISTS	106,482	11,988	118,470	(106,623)	11,847	-	11,847

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WORKSHEET A – COST REIMBURSED COST CENTERS

RECLASSIFICATION AND ADJUSTMENTS OF TRIAL BALANCE OF EXPENSES		Provider CCN:		99-9999				Worksheet A
	Cost Center Description	Salaries	Other	Total	Reclass A-6	Reclassed TB	Adj. A-8	Expense for Allocation
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INPATIENT ROUTINE SERVICE COST CENTERS								
30	ADULTS & PEDIATRICS	1,039,000	115,000	1,154,000	-	1,154,000	(2,768)	1,151,232
46	OTHER LONG TERM CARE	1,387,000	825,000	2,212,000	21,909	2,233,909	(3,371)	2,230,538
ANCILLARY SERVICE COST CENTER								
50	OPERATING ROOM	33,655	45,488	79,143	104,800	183,943	-	183,943
53	ANESTHESIOLOGY	-	-	-	-	-	-	-
54	RADIOLOGY - DIAGNOSTIC	282,082	316,516	598,598	-	598,598	-	598,598
60	LABORATORY	337,000	420,600	757,600	-	757,600	(38,647)	718,953
66	PHYSICAL THERAPY	369,000	18,963	387,963	-	387,963	-	387,963
67	OCCUPATIONAL THERAPY	-	46,429	46,429	-	46,429	-	46,429
68	SPEECH PATHOLOGY	-	16,587	16,587	-	16,587	-	16,587
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92	OBSERVATION BEDS (NON-DISTINCT PART)							
SPECIAL PURPOSE COST CENTERS								
113	INTEREST EXPENSE		124,362	124,362	(124,362)	-	-	-
118	SUBTOTALS (SUM OF LINES 1 through 117)	8,657,983	8,461,295	17,119,278	-	17,119,278	(974,153)	16,145,125

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WORKSHEET A – NONREIMBURSABLE COST CENTERS

RECLASSIFICATION AND ADJUSTMENTS OF TRIAL BALANCE OF EXPENSES		Provider CCN:	99-9999					Worksheet A
	Cost Center Description	Salaries	Other	Total	Reclass A-6	Reclassed TB	Adj. A-8	Expense for Allocation
		1	2	3	4	5	6	7
NONREIMBURSABLE COST CENTERS								
194	GUEST MEALS/MOW	-	-	-	-	-	-	-
194	RENTAL SPACE	-	-	-	-	-	-	-
194	OUTPATIENT MEALS	-	-	-	-	-	-	-
194	GENTLE TOUCH	-	9,000	9,000	-	9,000	-	9,000
194	NON-MEDICARE HOME HEALTH	29,351	3,837	33,188	-	33,188	-	33,188
200	TOTAL (SUM OF LINES 118 through 199)	8,687,334	8,474,132	17,161,466	-	17,161,466	(974,153)	16,187,313

To B Part I

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WORKSHEET A

- Lines assigned to cost centers on worksheet A will be consistent throughout the cost report. Example – Line 60 Laboratory will be line 60 on worksheets B-1, B part I, C and the D-3s.
- Worksheet A is the starting point for considering consistency throughout the cost report in the reporting of costs, gross charges and program charges by department.

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WORKSHEET A-6

WORKSHEET A-6

Purpose:

- To provide for the reclassification of expenses from one cost center to another, establish proper matching of revenue & expense. Goal would be to minimize these.

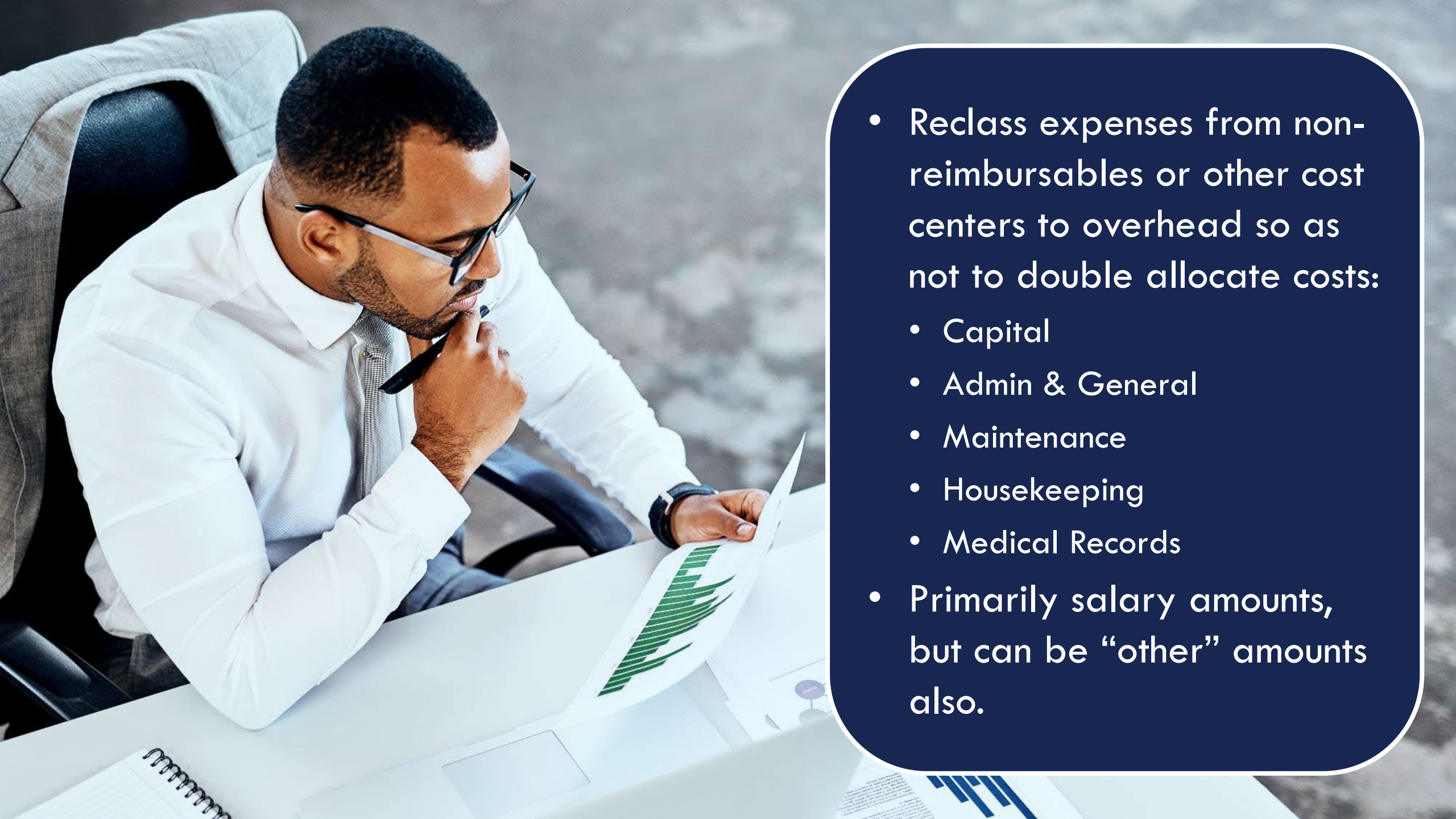
Common reclasses:

- Interest expense;
- Insurance expense;
- Depreciation;
- Salary;
- Administrative and General costs in individual cost centers.

WORKSHEET A-6

Preference would be to have salaries moved within general ledger rather than reclass.

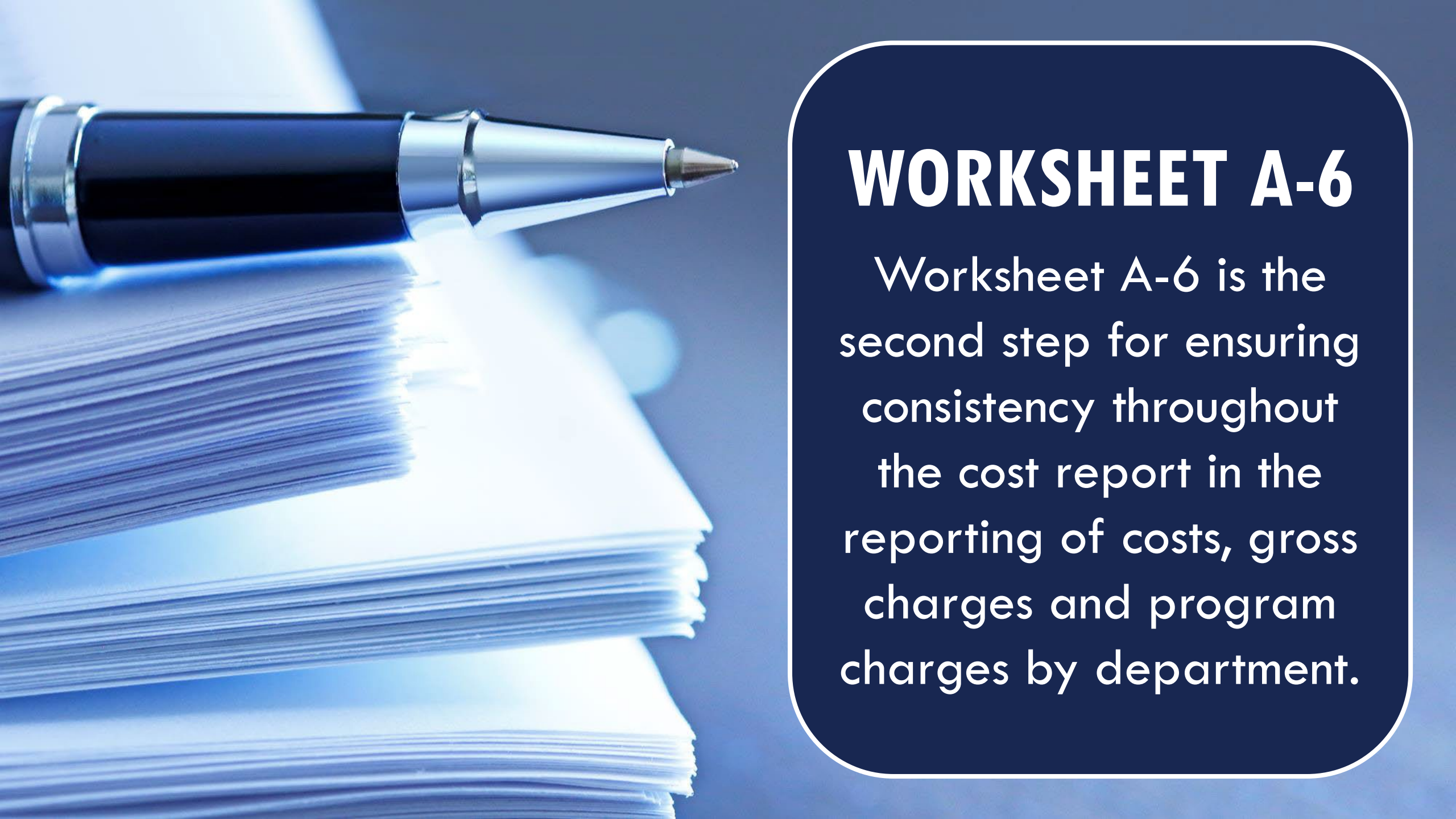
Actual time spent would be best. (Timesheets!)



- Reclass expenses from non-reimbursables or other cost centers to overhead so as not to double allocate costs:
  - Capital
  - Admin & General
  - Maintenance
  - Housekeeping
  - Medical Records
- Primarily salary amounts, but can be “other” amounts also.

WHY IS THIS DONE?

- Allocate indirect costs to major service lines to reflect better departmental financial statements throughout the year.
- However, makes it more difficult for accurate cost reporting as need to eliminate these internal allocations.



WORKSHEET A-6

Worksheet A-6 is the second step for ensuring consistency throughout the cost report in the reporting of costs, gross charges and program charges by department.

WORKSHEET A-7

WORKSHEET A-7

Purpose

- Analyze the changes that occurred in the capital assets during the current period.
- Allocates property insurance and other expenses between building and equipment.

Type & source of data

- Depreciation schedules, including detail, and summary information.
- List of asset additions and deletions.
- Property insurance.

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WORKSHEET A-8

- **Purpose:**
- To adjust the operating expenses to accurately report program allowable expense.
- Eliminates:
  - Operating costs not related to patient care.
  - Luxury items or services (Prudent Buyer Principle).
  - Items specifically listed as Non-Allowable.

Offsets should expect to see on most cost reports:

- Medical Record revenue
- Lobbying (% of Hosp. Association Dues)
- Rebates
- Non-Allowable Advertising

Revenue or Cost Offset?

- Calculated from cost or; when cost cannot be calculated – amount received (revenue):
  - These adjustments, required under the Medicare principles of reimbursement, are made on the basis of cost or amount received (revenue) only if the cost (including direct cost and all applicable overhead) cannot be determined.
  - Once an adjustment to an expense is made on the basis of cost, you may not determine the required adjustment to the expense on the basis of revenue in future cost reporting periods.

WORKSHEET A – 8 ADJUSTMENTS TO EXPENSES

ADJUSTMENTS TO EXPENSES	Provider CCN: 99-9999	Worksheet A-8

	Description (1)	Basis	Amount	Cost Center	Line #
		1	2.00	3	4
1	Investment income - CAP REL COSTS-BLDG & FIXT	B	(124,362)	CAP REL COSTS-BLDG & FIXT	1
4	Trade, quantity, and time discounts (chapter 8)	B	(1,830)	OTHER A&G	5.03
5	Refunds and rebates of expenses (chapter 8)		-		0
7	Telephone services (pay stations excluded) (chapter 21)	A	(5,346)	OPERATION OF PLANT	7
8	Television and radio service (chapter 21)	A	(2,901)	UTILITIES - HOSPITAL	7.01
10	Provider-based physician adjustment	A-8-2	(134,783)		
12	Related organization transactions (chapter 10)	A-8-1	-		
14	Cafeteria-employees and guests	B	(30,652)	DIETARY	10
18	Sale of medical records and abstracts	B	(479)	MEDICAL RECORDS & LIBRARY	16
20	Vending machines	B	(330)	DIETARY	10
33.02	NONALLOWABLE PROMOTION AND DONATIONS	A	(24,278)	OTHER A&G	5.03
33.03	NONALLOWABLE PATIENT PHONE EXPENSE	A	(7,645)	OTHER A&G	5.03
33.04	LOBBYING PORTION OF DUES	A	(568)	OTHER A&G	5.03
33.05	NON-RHC SALARY	A	(26,186)	RURAL HEALTH CLINIC	88
33.06	NON-RHC BENEFITS	A	(6,229)	RURAL HEALTH CLINIC	88
33.08	PART B BILLING EXPENSE	A	(8,258)	BUSINESS OFFICE	5.01
33.09	PART B BILLING BENEFITS	A	(1,988)	BUSINESS OFFICE	5.01
33.1	CLINIC RENT OTHER	B	(43,317)	RURAL HEALTH CLINIC	88
33.12	NF OTHER SERVICE FEES	B	(3,371)	OTHER LONG TERM CARE	46
33.14	ADMINISTRATION MISC INCOME	B	(36,455)	OTHER A&G	5.03
33.15	LABORATORY MISC INCOME	B	(38,647)	LABORATORY	60
33.17	EDUCATION MISC INCOME	B	(86)	OTHER A&G	5.03
33.18	FACILITY SERVCES RENT	B	(26,520)	OTHER A&G	5.03
33.21	MEDICAL UNIT MISC INCOME	B	(2,768)	ADULTS & PEDIATRICS	30
33.23	PT TRANSPORT INCOME	B	(6,958)	EMERGENCY	91
33.24	CLINIC INSURANCE CARRYFORWARD	A	(12,839)	RURAL HEALTH CLINIC	88
33.25	340B CONTRACT PHARMACY COST	A	(395,124)	DRUGS CHARGED TO PATIENTS	73
33.26	340B DIRECT ADMIN COSTS	A	(3,773)	OTHER A&G	5.03
33.27	MARKETING OFFSET	A	(28,460)	OTHER A&G	5.03
50	TOTAL (sum of lines 1 thru 49) (Transfer to Worksheet A)		(974,153)		

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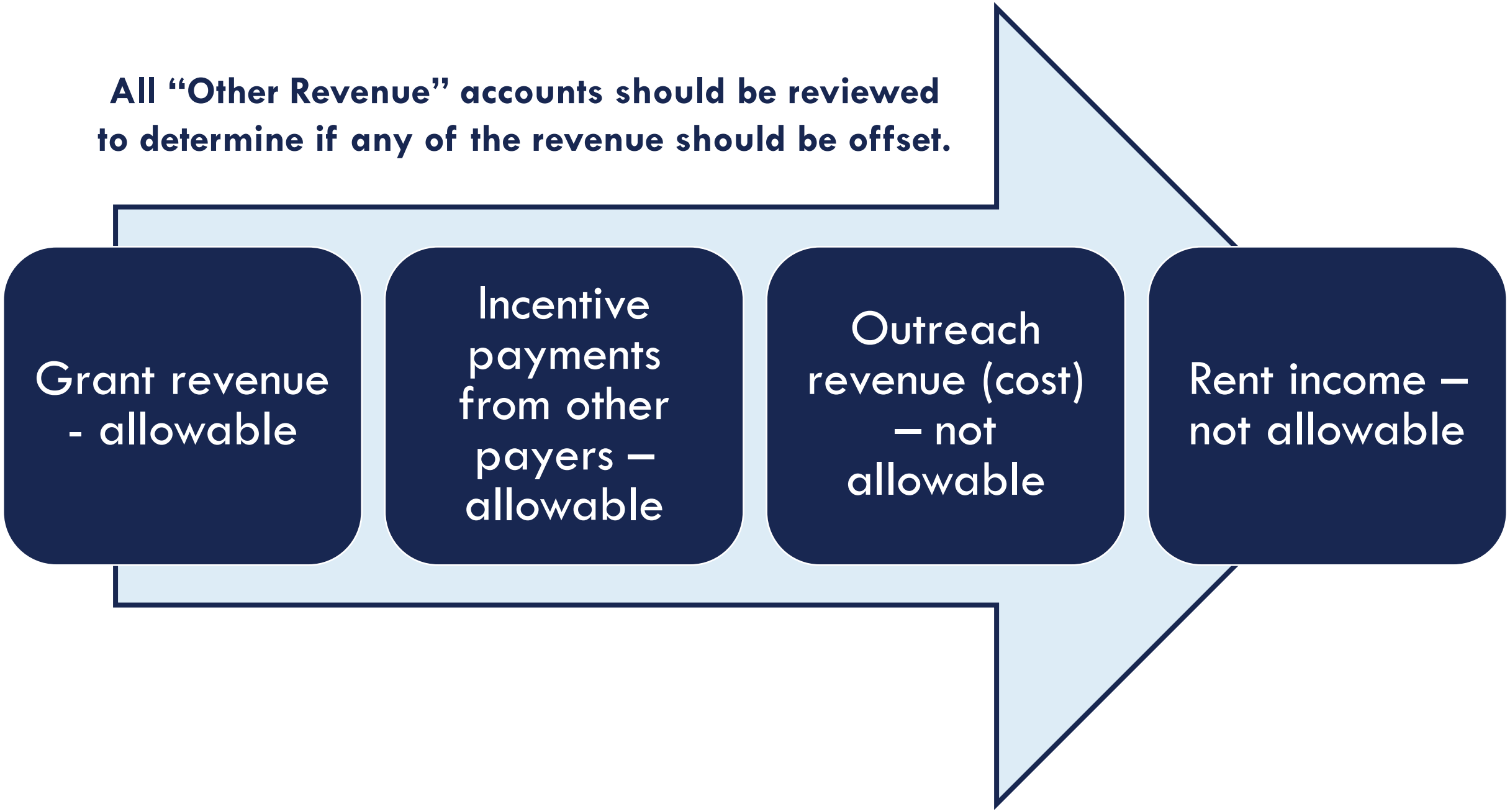
"Noted" offsets on most cost reports:

- Administration miscellaneous revenue.
- Administration miscellaneous expense.

Note – Both of these should be reviewed in detail to determine if any of this is allowable/non-allowable. Don't automatically offset.

All "Other Revenue" accounts should be reviewed to determine if any of the revenue should be offset.



340b Contract Pharmacy

Ways to address 340b Contract Pharmacy on cost report:

- Offset expenses related to contract pharmacy.
- Offset revenue associated with contract pharmacy.
- Include direct expenses related to contract pharmacy as a non-reimbursable cost center.

340b Contract Pharmacy

If offsetting direct expenses:

- Does it include any pharmacist time monitoring program.
- Any A&G expenses for paying invoices, etc.
- Risk of MAC establishing as a non-reimbursable cost center:
  - What is that dollar amount?

- Adjustment to Non-Reimbursable areas

NOT ALLOWED

- Adjustments are typically reductions to expense – however there may be instances of increases:
  - Expenses from a prior year which needed to be amortized in subsequent years yet expense in financial statement when incurred.

INTEREST EXPENSE

- If have interest expense, more than likely some offset:
  - Unnecessary Borrowing.
  - Investment income.
- Review financial statements each year to determine if additional borrowing or lease obligations.

- Interest Expense – allowable versus nonallowable
- Interest Income Offsets
- Funded Depreciation
- Excess Borrowing

Necessary:

To be considered necessary, the interest must be:

- Incurred on a loan that is made to satisfy a financial need,
- **For a purpose related to patient care, and**
- **Incurred on a loan that is reduced by investment income.**
- If a borrowing or a portion of a borrowing is considered unnecessary, the interest expense on the borrowing, or the unnecessary portion of the borrowing, is not an allowable cost.
- **The repayment of the funds borrowed is applied first to the allowable portion of the loan.**
- The allowable interest for a year is determined by multiplying the total interest for the year by the ratio of the allowable share of the loan to the total amount of the loan outstanding. The ratio is based on the loan balance (allowable and total) at the beginning of the cost report year.

Possibility of "curing" the unnecessary borrowing portion by:

- Purchasing patient care related capital assets:
  - Untainted funded depreciation dollars used first.
  - Using funded depreciation dollars to repay borrowing.

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UNNECESSARY BORROWING

Funded Depreciation Balance as of 12/31/2023	$	15,000,000
Less		
Pay off amount of 2015 Debt	$	(2,000,000)
Funds used for New Project	$	(5,000,000)
Remaining Balance	$	8,000,000
Total Amount of Debt Issued	$	15,000,000
Unnecessary Borrowing Percentage		**53.3%**
Interest Expense for Period	$	450,000
Unnecessary Borrowing Amount	$	(240,000)
Allowable Interest Expense	$	210,000

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OFFSET BY INVESTMENT INCOME

- Investment income for offset is the aggregate net amount realized (not unrealized) from all investments of patient care funds in nonpatient care related activities and may include interest, dividends, operating profits and losses, and gains and losses on sale or disposition of investments.
- Excluded from the definition of investment income is the investment income from:
  - Grants, gifts, and endowments, whether restricted or unrestricted,
  - Funded depreciation,
  - Qualified pension funds,
  - Deferred compensation funds.

- **The investment income is only offset against allowable interest expense.**
- **Any investment income (subject to offset) in excess of allowable interest expense is not used to offset other expenses.**

If the aggregate net amount realized from all investments of patient care related funds is a loss, the loss is not allowable. The net loss is not added to interest expense and it is not an allowable expense.

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INVESTMENT INCOME

Interest Expense as of 12/31/2023	$	500,000
Investment Income - Realized Gains, Dividends, Interest	$	650,000
Net Investment Income for offset	$	650,000
Allowable Interest Expense	$	-

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FUNDED DEPRECIATION

Deposits in the Funded Depreciation Account	• Cannot exceed the total cumulative allowable depreciation expense. • Must remain in account a minimum of 6 months.
Proper Withdrawals from the Funded Depreciation Account	• Acquisition of Depreciable Assets used for patient care. • Other allowable purpose (principal payments on debt, loans …). • First-In, First-Out basis.
Improper Withdrawals from the Funded Depreciation Account	• Last-In, First-Out Basis. • Investment income earned on these funds while on deposit in the funded account shall be used to reduce allowable interest expense incurred during all cost reporting periods subject to reopening.

Note: If have funded depreciation, must keep track of funds, additions and withdrawals based upon date.

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INVESTMENT INCOME WITH FUNDED DEPR ASSETS

Interest Expense as of 12/31/2023	$	500,000
Investment Income - Realized Gains, Dividends, Interest	$	650,000
Less: Funded Depr Invest Income	$	(350,000)
Net Investment Income for offset	$	300,000
Allowable Interest Expense	$	200,000

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WORKSHEET A-8-1

WORKSHEET A-8-1

Purpose (Related Organizations):

- To provide computation of adjustments needed to account for costs applicable to services, facilities, and supplies furnished by organizations related to the hospital or associated with the home office.

Type & source of data:

- Financial statements and expense lead schedules from related organization or home office.

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WORKSHEET A-8-1

Removes cost on worksheet A and adds in "true" cost to worksheet A.

STATEMENT OF COSTS OF SERVICES FROM RELATED ORGANIZATIONS AND HOME OFFICE COSTS			Provider CCN:	99-9999	Worksheet A-8-1
Line No.	Cost Center	Expense Items	Amount of Allowable costs	Amount Included in WS A	Net Adjustment
1	2	3	4	5	6
A. COSTS INCURRED AND ADJUSTMENTS REQUIRED AS A RESULT OF TRANSACTIONS WITH RELATED ORGANIZATIONS OR CLAIMED HOME OFFICE COSTS:					
1	5.01 Business office		720,000	720,000	-
2	0		-	-	-
3	0		-	-	-
4	0		-	-	-
5	TOTALS (sum of lines 1-4). Transfer column 6, line 5 to W		720,000	720,000	-
			From Home Office Cost Report	From Worksheet A	To WS A-8 Summary

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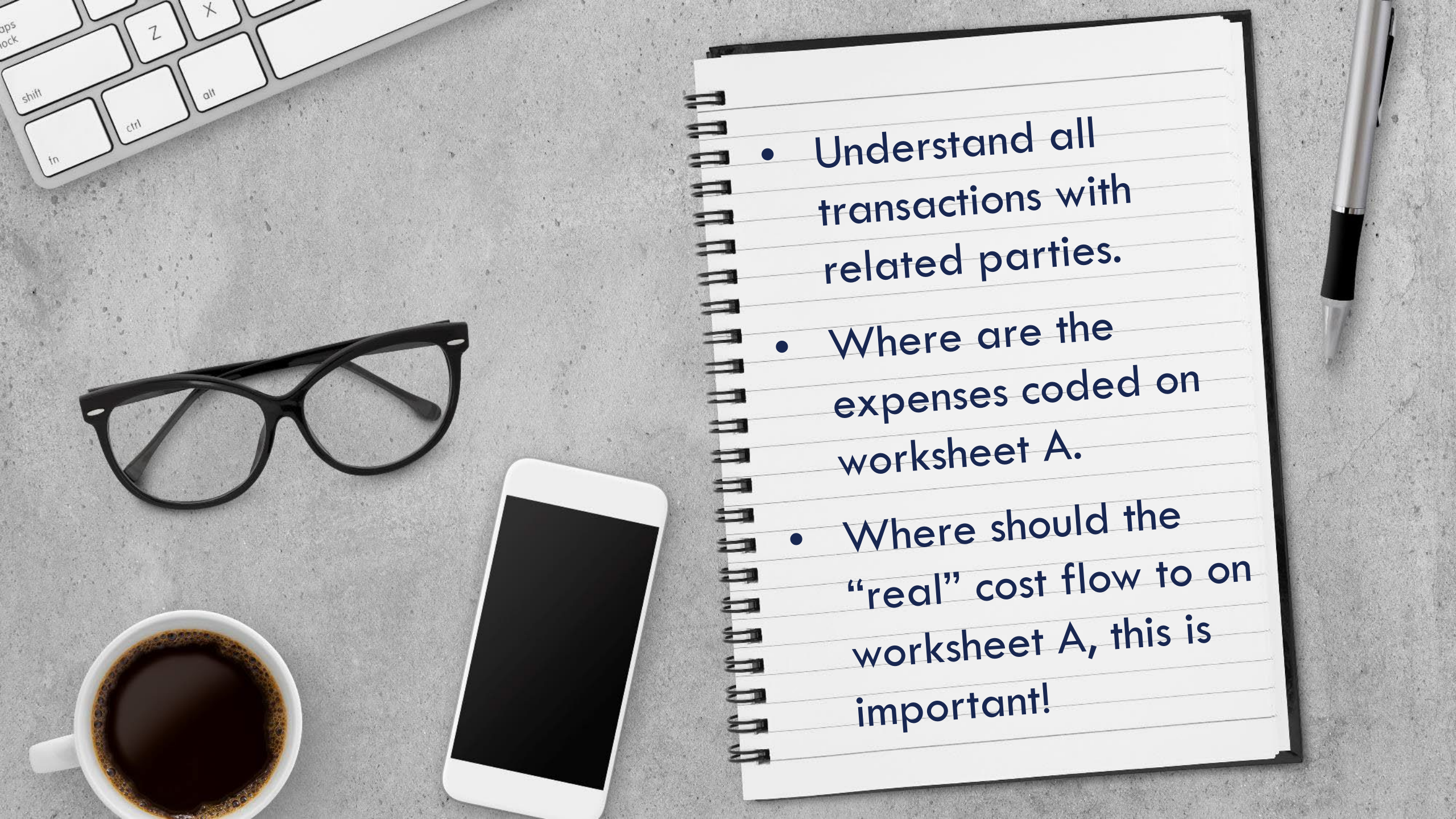

Understand all transactions with related parties.
Where are the expenses coded on worksheet A.
Where should the "real" cost flow to on worksheet A, this is important!

WORKSHEET A-8-2

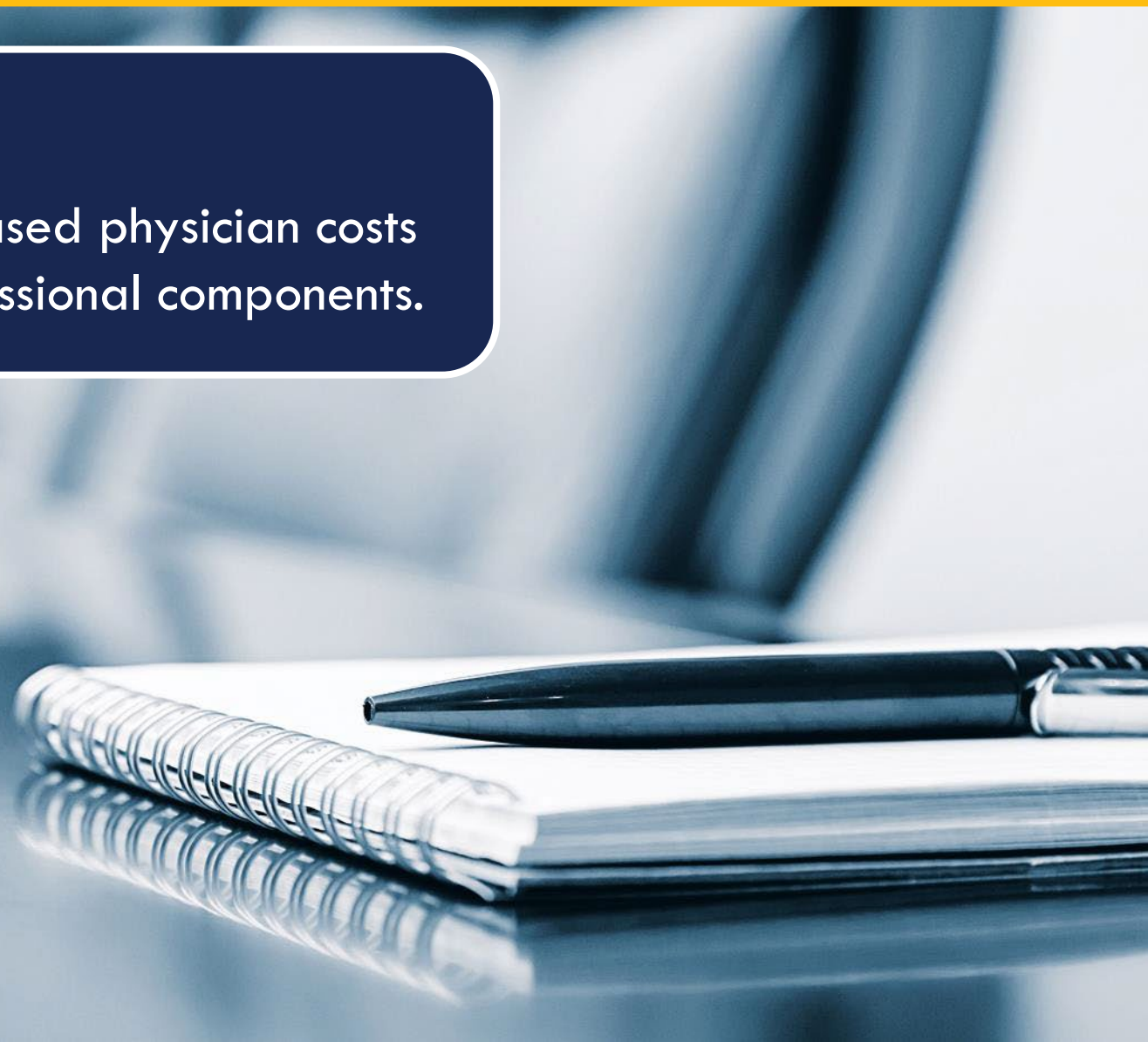
WORKSHEET A-8-2

Purpose:

- To provide for the splitting of hospital-based physician costs between provider components and professional components.

Type & source of data:

- General ledger costs
- FTE hours
- Wage and hour reports
- General ledger reports
- Internal reports and time studies
- Physician contract documents
- Internal spreadsheets



WORKSHEET A-8-2

- **General rules:**
  - Costs that are related to physician patient care billed under Part B professional services should be removed on A-8-2.
  - Administrative functions performed by physicians may be allowable.
  - All allocations should be supported through tracking of actual worked hours or time studies.

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- Physician contracts:
  - Review contracts for responsibilities and compensation.
  - Provider based clinic physicians.
- Understand where all payments to practitioners are coded on general ledger. (Very important)
- Include Advanced Practice Providers (Midlevels) on this worksheet also.

- Review all contracts for existing opportunities to identify Part A costs.
- Consider cost report implications when negotiating new contracts.
- Code practitioner wages/fees to separate general ledger accounts as much as possible.

WORKSHEET A-8-2

- Varying requirements by MACs for time studies:
  - Two, two-week time studies.
  - Four, two-week time studies, one each quarter.
  - One week per month, alternating weeks.
  - Physicians may do two, two weeks, but advanced practice providers one-week per month, rotating weeks.
- Time studies must be representative for the period of the cost report.
- What if you have intermingled practitioners, physicians and advanced practice providers, covering your emergency room?
  - Strongly recommend one week per month, alternating weeks throughout the year to ensure appropriate studies are kept.

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WORKSHEET A-8-2

PROVIDER BASED PHYSICIAN ADJUSTMENT			Provider CCN: 99-9999		Worksheet A-8-2	
	Worksheet A Line	Cost Center/Physician Identifier	Total Remuneration	Professional Component	Provider Component	Adjustment
	1	2	3	4	5	18
1	91	Emergency Room	919,980	134,783	785,197	134,783
2	0		-	-	-	-
3	0		-	-	-	-
4	0		-	-	-	-
200		TOTAL (lines 1.00 through 199.00)	919,980	134,783	785,197	134,783

To Worksheet A-8

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WORKSHEET A-8-2

CAUTION!

This is a significant audit area for MACs and more than likely will be reviewed at your hospital.

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CRNA PASS-THROUGH REIMBURSEMENT

CRNA PASS THROUGH

- Effective January 1, 1989, CRNA's were forced out of cost reimbursement and into fee schedule.
- Hold harmless exemption eligibility:
  - Located in a rural area.
  - Must have employed or contracted with a CRNA as of 1/1/88.
  - May employ or contract with more than one CRNA but not more than 2,080 hours:
    - Total hours at the hospital include time spent in furnishing anesthesia services and general services to the hospital.
  - Not exceed 800 procedures requiring anesthesia:
    - CMS defined "surgical procedures requiring anesthesia services" as those procedures in which the anesthesia is administered and monitored by a qualified non-physician anesthetist, a physician other than the primary surgeon, or intern or resident.
    - Procedure must be surgical - under "surgical" section of CPT codebook.
- Each CRNA must agree in writing not to bill fee schedule to carrier (double payment).

CRNA PASS THROUGH

Eligibility determination:

- Contract review.
- CRNA “no-bill” attestation.
- 2,080 hours of service attestations.
- Surgical log showing procedures from 1/1 to 9/30 – annualized.

Prospective eligibility for the 800-procedure limitation:

- Must still meet the 2,080 total hours of service in the current year of eligibility.

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CRNA PASS THROUGH

- Audit considerations:
  - Hours of service.
  - Compensation limits – reasonableness:
    - Other supporting data can be used.
- Monitor if getting close to non-qualification:
  - Timely billing issues:
    - UB or 1500

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WORKSHEET A-8-3

WORKSHEET A-8-3, PARTS I – VI

Purpose:

- To compute the limit for contract physical, occupational, speech, and respiratory therapy services.

Type & source of data:

- General ledger costs
- Contract FTE hours
- Days of service
- General ledger reports
- Billings from the contract therapists
- Contract documents
- Internal spreadsheets
- Intermediary data

WORKSHEETS B PART I AND B-1

WORKSHEET B, PART I

Purpose:

- To allocate the cost of the general service cost centers (overhead cost centers), based on the allocation statistics from Worksheet B-1, to the revenue-producing and non-reimbursable cost centers.

Type & source of data:

- Cost Report data from Worksheet A and Worksheet B-1
- No new data

WORKSHEET B, PART I

Column 0 flows from Worksheet A, column 7

Review non-reimbursable cost centers to monitor impact of allocations

The total of column 0 and column 26 will equal

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WORKSHEET B, PART I

Overall Theory – Each non-overhead department is to absorb its portion of overhead costs based on their received benefit.

Basic Cost Accounting Concept – Not so basic in application.

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WORKSHEET B-1

Purpose:

- To provide the statistical basis that the cost report will use to allocate general service cost center costs to revenue-producing and non-reimbursable cost centers on B, Part I.
- This is a major section where money is "found" or "lost".
  - Inaccurate statistics = Inaccurate reimbursement!
  - Less than optimal statistical elections = Less than optimal reimbursement!

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WORKSHEET B-1

Type & source of data:

- General ledger cost data
- Depreciation schedule
- Wage and hour/FTE reports
- Plant square footage
- Laundry pounds
- Time studies
- Dietary meals
- Revenue statistics
- Patient day statistics
- Supplies cost

WORKSHEET B-1

- **General issues:**
  - Step-down method of cost finding – once a cost center is allocated to others, it may not receive any subsequent allocations:
    - More general to more specific.
    - No circular references!
  - All overhead cost centers should be used versus direct assignment of costs (central supply cost directly assigned to med supplies charged to patients).
  - No allocations to cost centers receiving no services from the overhead department:
    - Recommend discussion with preparer and review by facility.
  - Reminder – Lines assigned to cost centers on B, part I and B-1 match worksheet A.

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WORKSHEET B-1

- **General issues:**
  - Do not directly expense and allocate to a cost center:
    - No duplication of cost allocations.
    - Watch for mixture of methods.
  - Understand the effects on allocations when making any changes!!
    - Organization chart.
    - Locations of service.

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WORKSHEET B-1

- **General issues:**
  - Costs are allocated based on unit multiplier:
    - Cost divided by total statistics.
    - Monitor trends from year to year.
  - Percentage of total allocation more important than actual unit multiplier.
  - Medicare recognizes alternative allocation methodologies:
    - Standard statistic required to be used for overhead cost centers.
    - Request for change in a methodology must be submitted 90 days prior to the end of the affected cost reporting period:
      - Must possess the necessary statistical information for the whole year (i.e. time studies, etc.)

WORKSHEET B-1

Common Allocation Methodologies

- Building depreciation – square footage.
- Equipment depreciation – actual cost (or square footage).
- Employee benefits – salaries.
- Management and general – accumulated costs (unless subscripted).
- Business office – gross revenue (net of professional fees).
- Maintenance and plant operations – square footage.

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WORKSHEET B-1

Common Allocation Methodologies

- Laundry – pounds used by department.
- Housekeeping – square fee.
- Dietary/cafeteria – meals served.
- Nursing administration – direct nursing hours.
- Central services – costed requisitions/supply costs.
- Medical records – gross revenue.

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WORKSHEET B-1

COST ALLOCATION - STATISTICAL BASIS	Provider CCN: 99-9999																Worksheet B-1
Cost Center Description	BLDG & FIXT. (sq feet)	Moveable Equip (depr)	Emp. Benefits (salaries)	Business Office Gross Rev)	IT (# of)	Recon	Other Admin (Acc. Costs)	Plant (sq feet)	Utilities (sq feet)	Laundry (pounds)	House Keeping (sq feet)	Dietary (meals)	Cafeteria (FTEs)	Nursing Admin (Dir HRs)	Medical Records (Time study)	Social Service	Non - phys Anest.
	1	2	4	5.01	5.02	5A.03	5.03	7	7.01	8	9	10	11	13	16	17	19
GENERAL SERVICE COST CENTERS																	
1 CAP REL COSTS-BLDG & FIXT	44,456																
2 CAP REL COSTS-MVBLE EQUIP		363,005															
4 EMPLOYEE BENEFITS DEPARTMENT	-	-	8,687,334														
5.01 BUSINESS OFFICE	627	3,567	324,465	22,386,027													
5.02 INFORMATION TECHNOLOGY	256	7,772	140,846	-	183												
5.03 OTHER ADMINISTRATIVE AND GENERAL	11,430	39,188	592,899	-	28	(1,552,573)	14,634,740										
7 OPERATION OF PLANT	8,074	12,680	194,000	-	2	-	404,158	40,629									
7.01 UTILITIES - HOSPITAL	-	-	-	-	-	-	272,099	-	24,069								
8 LAUNDRY & LINEN SERVICE	766	-	62,123	-	-	-	95,106	766	766	83,914							
9 HOUSEKEEPING	981	1,088	259,000	-	-	-	377,846	981	981	12,874	38,882						
10 DIETARY	2,055	7,095	400,000	-	-	-	691,464	2,055	2,055	912	2,055	44,215					
11 CAFETERIA	-	-	-	-	-	-	-	-	-	-	-	11,447	7,248				
13 NURSING ADMINISTRATION	525	-	248,369	-	2	-	342,721	525	525	-	525	-	203	65,877			
16 MEDICAL RECORDS & LIBRARY	841	478	134,480	-	4	-	217,232	841	841	-	841	-	205	-	810		
17 SOCIAL SERVICE	-	-	170,000	-	-	-	226,857	-	-	-	-	-	359	-	-	11,568	
19 NONPHYSICIAN ANESTHETISTS	-	-	10,648	-	-	-	15,095	-	-	-	-	-	-	-	-	-	100
INPATIENT ROUTINE SERVICE COST CENTERS																	
30 ADULTS & PEDIATRICS	9,295	48,421	1,039,000	3,500,525	32	-	1,772,752	9,295	9,295	11,078	9,295	2,765	1,669	34,724	464	900	-
46 OTHER LONG TERM CARE	-	5,042	1,387,000	-	21	-	2,728,090	12,691	-	51,135	12,691	29,889	2,169	-	-	10,668	-
ANCILLARY SERVICE COST CENTERS																	
50 OPERATING ROOM	2,252	44,218	129,489	667,014	2	-	307,217	2,252	2,252	1,361	2,252	-	-	2,964	35	-	-
53 ANESTHESIOLOGY	-	-	-	28,114	-	-	542	-	-	-	-	-	-	-	-	-	100
54 RADIOLOGY - DIAGNOSTIC	2,168	112,780	282,082	5,940,138	14	-	977,506	2,168	2,168	1,942	2,168	-	335	6,968	55	-	-
60 LABORATORY	870	20,410	337,000	4,063,204	6	-	948,052	870	870	33	870	-	375	7,800	100	-	-
66 PHYSICAL THERAPY	1,594	6,014	369,000	1,445,220	4	-	561,828	1,594	1,594	1,021	1,594	-	406	8,445	12	-	-
67 OCCUPATIONAL THERAPY	-	-	-	239,484	-	-	51,044	-	-	-	-	-	-	-	1	-	-
68 SPEECH PATHOLOGY	-	-	-	80,057	-	-	18,130	-	-	-	-	-	-	-	1	-	-
71 MEDICAL SUPPLIES CHARGED TO PATIENTS	-	-	-	3,853	-	-	1,897	-	-	-	-	-	-	-	-	-	-
73 DRUGS CHARGED TO PATIENTS	141	-	216,829	2,251,497	1	-	826,652	141	141	-	141	-	100	2,080	-	-	-
75.01 SLEEP LAB	448	2,379	-	140,499	-	-	28,362	448	448	-	448	-	-	-	1	-	-
75.02 DIABETIC EDUCATION	-	-	814	5,152	1	-	4,467	-	-	-	-	-	1	11	-	-	-
75.03 OUTPATIENT SERVICES	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
OUTPATIENT SERVICE COST CENTERS																	
88 RURAL HEALTH CLINIC	-	50,922	1,385,677	2,350,118	56	-	2,418,408	3,869	-	672	3,869	-	1,078	-	-	-	-
91 EMERGENCY	2,133	951	974,262	1,671,152	5	-	1,279,546	2,133	2,133	2,886	2,133	-	348	2,885	141	-	-
92 OBSERVATION BEDS (NON-DISTINCT PART)																	
SPECIAL PURPOSE COST CENTERS																	
113 INTEREST EXPENSE																	
118 SUBTOTALS (SUM OF LINES 1 through 117)	44,456	363,005	8,657,983	22,386,027	178	(1,552,573)	14,567,071	40,629	24,069	83,914	38,882	44,101	7,248	65,877	810	11,568	100
NONREIMBURSABLE COST CENTERS																	
194 GUEST MEALS/MOW	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
194.01 RENTAL SPACE	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
194.02 OUTPATIENT MEALS	-	-	-	-	-	-	-	-	-	-	-	114	-	-	-	-	-
194.03 GENTLE TOUCH	-	-	-	-	-	-	9,000	-	-	-	-	-	-	-	-	-	-
194.04 NON-MEDICARE HOME HEALTH	-	-	29,351	-	5	-	58,669	-	-	-	-	-	-	-	-	-	-
200 Cross Foot Adjustments																	
201 Negative Cost Centers																	
202 Cost to be allocated (per Wkst. B, Part I)	396,627	363,006	2,650,000	431,355	604,929		1,552,573	447,034	300,965	123,202	459,894	838,772	217,153	403,713	276,136	261,680	16,696
203 Unit cost multiplier (Wkst. B, Part I)	8.921788	1.000003	0.305042	0.019269	3,305.62		0.106088	11.00283	12.504259	1.468194	11.827941	18.970304	29.960403	6.128285	340.908642	22.621024	166.96
204 Cost to be allocated (per Wkst. B, Part II)			0	9,161	10,056		142,704	88,766	2,653	9,519	17,235	37,902	9,813	9,849	12,900	2,698	147
205 Unit cost multiplier (Wkst. B, Part II)			0	0.000409	54.95082		0.009751	2.184794	0.110225	0.113438	0.443264	0.85722	1.353891	0.149506	15.925926	0.23323	1.47

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WORKSHEET B, PART I

COST ALLOCATION - GENERAL SERVICE COSTS — Worksheet B, Part I

	Cost Center Description	Net Expenses	BLDG & FIXT. (sq feet)	Moveable Equip (depr)	Emp. Benefits (salaries)	Business Office Gross Rev)	IT (# of)	Subtotal	Other Admin (Acc. Costs)	Plant (sq feet)	Utilities (sq feet)	Laundry (pounds)	House Keeping (sq feet)	Dietary (meals)	Cafeteria (FTEs)	Nursing Admin (Dir HRs)	Medical Records (Time study)	Social Service	Non - phys Anest.	Subtotal	I &R adj.	Total
		0	1	2	4	5.01	5.02	5A.02	5.03	7	7.01	8	9	10	11	13	16	17	19	24	25	26
GENERAL SERVICE COST CENTERS																						
1	CAP REL COSTS-BLDG & FIXT	396,627	396,627																			
2	CAP REL COSTS-MVBLE EQUIP	363,006		363,006																		
4	EMPLOYEE BENEFITS DEPARTMENT	2,650,000	0	0	2,650,000																	
5.01	BUSINESS OFFICE	323,219	5,594	3,567	98,975	431,355																
5.02	INFORMATION TECHNOLOGY	551,909	2,284	7,772	42,964	0	604,929															
5.03	OTHER ADMINISTRATIVE AND GENERAL	1,137,992	101,977	39,188	180,859	0	92,557	1,552,573	1,552,573													
7	OPERATION OF PLANT	253,654	72,035	12,680	59,178	0	6,611	404,158	42,876	447,034												
7.01	UTILITIES - HOSPITAL	272,099	0	0	0	0	0	272,099	28,866	0	300,965											
8	LAUNDRY & LINEN SERVICE	69,322	6,834	0	18,950	0	0	95,106	10,090	8,428	9,578	123,202										
9	HOUSEKEEPING	289,000	8,752	1,088	79,006	0	0	377,846	40,085	10,794	12,267	18,902	459,894									
10	DIETARY	544,018	18,334	7,095	122,017	0	0	691,464	73,356	22,611	25,696	1,339	24,306	838,772								
11	CAFETERIA	0	0	0	0	0	0	0	0	0	0	0	0	217,153	217,153							
13	NURSING ADMINISTRATION	255,663	4,684	0	75,763	0	6,611	342,721	36,359	5,776	6,565	0	6,210	0	6,082	403,713						
16	MEDICAL RECORDS & LIBRARY	155,007	7,503	478	41,022	0	13,222	217,232	23,046	9,253	10,516	0	9,947	0	6,142	0	276,136					
17	SOCIAL SERVICE	175,000	0	0	51,857	0	0	226,857	24,067	0	0	0	0	0	10,756	0	0	261,680				
19	NONPHYSICIAN ANESTHETISTS	11,847	0	0	3,248	0	0	15,095	1,601	0	0	0	0	0	0	0	0	0	16,696			
INPATIENT ROUTINE SERVICE COST CENTERS																						
30	ADULTS & PEDIATRICS	1,151,232	82,928	48,421	316,939	67,452	105,780	1,772,752	188,068	102,271	116,226	16,265	109,941	52,453	50,004	212,799	158,181	20,359	0	2,799,319	-219,185	2,580,134
46	OTHER LONG TERM CARE	2,230,538	0	5,042	423,092	0	69,418	2,728,090	289,421	139,639	0	75,076	150,108	567,003	64,984	0	0	241,321	0	4,255,642	0	4,255,642
ANCILLARY SERVICE COST CENTERS																						
50	OPERATING ROOM	183,943	20,092	44,218	39,500	12,853	6,611	307,217	32,592	24,778	28,160	1,998	26,637	0	0	18,164	11,932	0	0	451,478	0	451,478
53	ANESTHESIOLOGY	0	0	0	0	542	0	542	57	0	0	0	0	0	0	0	0	0	16,696	17,295	0	17,295
54	RADIOLOGY - DIAGNOSTIC	598,598	19,342	112,781	86,047	114,459	46,279	977,506	103,702	23,854	27,109	2,851	25,643	0	10,037	42,702	18,750	0	0	1,232,154	0	1,232,154
60	LABORATORY	718,953	7,762	20,410	102,799	78,294	19,834	948,052	100,577	9,572	10,879	48	10,290	0	11,235	47,801	34,091	0	0	1,172,545	0	1,172,545
66	PHYSICAL THERAPY	387,963	14,221	6,014	112,560	27,848	13,222	561,828	59,603	17,539	19,932	1,499	18,854	0	12,164	51,753	4,091	0	0	747,263	0	747,263
67	OCCUPATIONAL THERAPY	46,429	0	0	0	4,615	0	51,044	5,415	0	0	0	0	0	0	0	341	0	0	56,800	0	56,800
68	SPEECH PATHOLOGY	16,587	0	0	0	1,543	0	18,130	1,923	0	0	0	0	0	0	0	341	0	0	20,394	0	20,394
71	MEDICAL SUPPLIES CHARGED TO PATIENTS	1,823	0	0	0	74	0	1,897	201	0	0	0	0	0	0	0	0	0	0	2,098	0	2,098
73	DRUGS CHARGED TO PATIENTS	712,562	1,258	0	66,142	43,384	3,306	826,652	87,698	1,551	1,763	0	1,668	0	2,996	12,747	0	0	0	935,075	0	935,075
75.01	SLEEP LAB	19,279	3,997	2,379	0	2,707	0	28,362	3,009	4,929	5,602	0	5,299	0	0	0	341	0	0	47,542	0	47,542
75.02	DIABETIC EDUCATION	814	0	0	248	99	3,306	4,467	474	0	0	0	0	0	30	67	0	0	0	5,038	0	5,038
75.03	OUTPATIENT SERVICES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	219,185	219,185
OUTPATIENT SERVICE COST CENTERS																						
88	RURAL HEALTH CLINIC	1,714,396	0	50,922	422,690	45,284	185,116	2,418,408	256,564	42,570	0	987	45,762	0	32,297	0	0	0	0	2,796,588	0	2,796,588
91	EMERGENCY	913,645	19,030	951	297,191	32,201	16,528	1,279,546	135,744	23,469	26,672	4,237	25,229	0	10,426	17,680	48,068	0	0	1,571,071	0	1,571,071
92	OBSERVATION BEDS (NON-DISTINCT PART)																				0	
SPECIAL PURPOSE COST CENTERS																						
113	INTEREST EXPENSE																					
118	SUBTOTALS (SUM OF LINES 1 through 117)	16,145,125	396,627	363,006	2,641,047	431,355	588,401	16,119,644	1,545,394	447,034	300,965	123,202	459,894	836,609	217,153	403,713	276,136	261,680	16,696	16,110,302	0	16,110,302
NONREIMBURSABLE COST CENTERS																						
194	GUEST MEALS/MOW	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
194.01	RENTAL SPACE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
194.02	OUTPATIENT MEALS	0	0	0	0	0	0	0	0	0	0	0	0	2,163	0	0	0	0	0	2,163	0	2,163
194.03	GENTLE TOUCH	9,000	0	0	0	0	0	9,000	955	0	0	0	0	0	0	0	0	0	0	9,955	0	9,955
194.04	NON-MEDICARE HOME HEALTH	33,188	0	0	8,953	0	16,528	58,669	6,224	0	0	0	0	0	0	0	0	0	0	64,893	0	64,893
200	Cross Foot Adjustments																		0	0	0	0
201	Negative Cost Centers		0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
202	TOTAL (sum lines 118 through 201)	16,187,313	396,627	363,006	2,650,000	431,355	604,929	16,187,313	1,552,573	447,034	300,965	123,202	459,894	838,772	217,153	403,713	276,136	261,680	16,696	16,187,313	0	16,187,313

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WORKSHEET B-1, PARTIAL

COST ALLOCATION - STATISTICAL BASIS		Provider CCN: 99-9999			**Partial** Worksheet B-1	
	Cost Center Description	BLDG & FIXT. (sq feet)	Moveable Equip (depr)	Emp. Benefits (salaries)	Business Office Gross Rev)	IT (# of)
		1	2	4	5.01	5.02
GENERAL SERVICE COST CENTERS						
1	CAP REL COSTS-BLDG & FIXT	44,456				
2	CAP REL COSTS-MVBLE EQUIP		363,005			
4	EMPLOYEE BENEFITS DEPARTMENT	-	-	8,687,334		
5.01	BUSINESS OFFICE	627	3,567	324,465	22,386,027	
5.02	INFORMATION TECHNOLOGY	256	7,772	140,846	-	183
5.03	OTHER ADMINISTRATIVE AND GENERAL	11,430	39,188	592,899	-	28
INPATIENT ROUTINE SERVICE COST CENTERS						
30	ADULTS & PEDIATRICS	9,295	48,421	1,039,000	3,500,525	32
46	OTHER LONG TERM CARE	-	5,042	1,387,000	-	21
ANCILLARY SERVICE COST CENTERS						
60	LABORATORY	870	20,410	337,000	4,063,204	6
66	PHYSICAL THERAPY	1,594	6,014	369,000	1,445,220	4
OUTPATIENT SERVICE COST CENTERS						
88	RURAL HEALTH CLINIC	-	50,922	1,385,677	2,350,118	56
NONREIMBURSABLE COST CENTERS						
194.04	NON-MEDICARE HOME HEALTH	-	-	29,351	-	5
202	Cost to be allocated **(per Wkst. B, Part I)**	396,627	363,006	2,650,000	431,355	604,929
203	Unit cost multiplier (Wkst. B, Part I)	8.921788	1.000003	0.305042	0.019269	3,305.62

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WORKSHEET B, PART I – PARTIAL

COST ALLOCATION - GENERAL SERVICE COSTS		Provider CCN: 99-9999			**Partial** Worksheet B part I		
	Cost Center Description	Net Expenses	BLDG & FIXT. (sq feet)	Moveable Equip (depr)	Emp. Benefits (salaries)	Business Offfice Gross Rev)	IT (# of)
		0	1	2	4	5.01	5.02
GENERAL SERVICE COST CENTERS							
1	CAP REL COSTS-BLDG & FIXT	396,627	396,627				
2	CAP REL COSTS-MVBLE EQUIP	363,006		363,006			
4	EMPLOYEE BENEFITS DEPARTMENT	2,650,000	0	0	2,650,000		
5.01	BUSINESS OFFICE	323,219	5,594	3,567	98,975	431,355	
5.02	INFORMATION TECHNOLOGY	551,909	2,284	7,772	42,964	0	604,929
5.03	OTHER ADMINISTRATIVE AND GENERAL	1,137,992	101,977	39,188	180,859	0	92,557
INPATIENT ROUTINE SERVICE COST CENTERS							
30	ADULTS & PEDIATRICS	1,151,232	82,928	48,421	316,939	67,452	105,780
46	OTHER LONG TERM CARE	2,230,538	0	5,042	423,092	0	69,418
ANCILLARY SERVICE COST CENTERS							
60	LABORATORY	718,953	7,762	20,410	102,799	78,294	19,834
66	PHYSICAL THERAPY	387,963	14,221	6,014	112,560	27,848	13,222
OUTPATIENT SERVICE COST CENTERS							
88	RURAL HEALTH CLINIC	1,714,396	0	50,922	422,690	45,284	185,116
NONREIMBURSABLE COST CENTERS							
194.04	NON-MEDICARE HOME HEALTH	33,188	0	0	8,953	0	16,528
202	TOTAL (sum lines 118 through 201)	16,187,313	396,627	363,006	2,650,000	431,355	604,929

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LAB ALLOCATION OF GSC FROM WORKSHEET B-1

Lab						
Cost Center	GSC Costs	Statistic	Total Stat	Unit Multiplier	Lab Total Stat	Cost to A&P
	1	2	3	4	5	6
	From B-1		From B-1	From B-1	From B-1	B Part I Calc.
CAP REL COSTS-BLDG	396,627	Sq. feet	44,456	8.9218	870	7,762
CAP REL COSTS-EQUIP	363,006	Depr.	363,005	1.0000	20,410	20,410
EMPLOYEE BENEFITS	2,650,000	Salaries	8,687,334	0.3050	337,000	102,800
BUSINESS OFFICE	431,355	Gross rev.	22,386,027	0.0193	4,063,204	78,295
INFORMATION TECH.	604,929	# of	183	3,305.6230	6	19,834
OTHER A&G	1,552,573	Accum. Costs	14,634,740	0.1061	948,052	100,577
OPERATION OF PLANT	447,034	Sq. feet	40,629	11.0028	870	9,572
UTILITIES - HOSPITAL	300,965	Sq. feet	24,069	12.5043	870	10,878
LAUNDRY & LINEN	123,202	Pounds	83,914	1.4682	33	48
HOUSEKEEPING	459,894	Sq. feet	38,882	11.8279	870	10,290
DIETARY	838,772	Meals	44,215	18.9703	-	-
CAFETERIA	217,153	Direct Hrs.	7,248	29.9604	375	11,235
NURSING ADMIN.	403,713	FTEs	65,877	6.1283	7,800	47,801
MEDICAL RECORDS	276,136	Time study	810	340.9086	100	34,090
SOCIAL SERVICE	261,680	Days	11,568	22.6210	-	-
NONPHYSICIAN/CRNA	16,696	Assign. Time	100	166.9600	-	-
Total general service costs allocated to Lab						453,592
LAB DIRECT COSTS				From worksheet A		718,953
Total Lab costs				To worksheet C		1,172,545

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WORKSHEET B-1 REVIEW

Do not ignore impact on potential changes in allocation methodology.

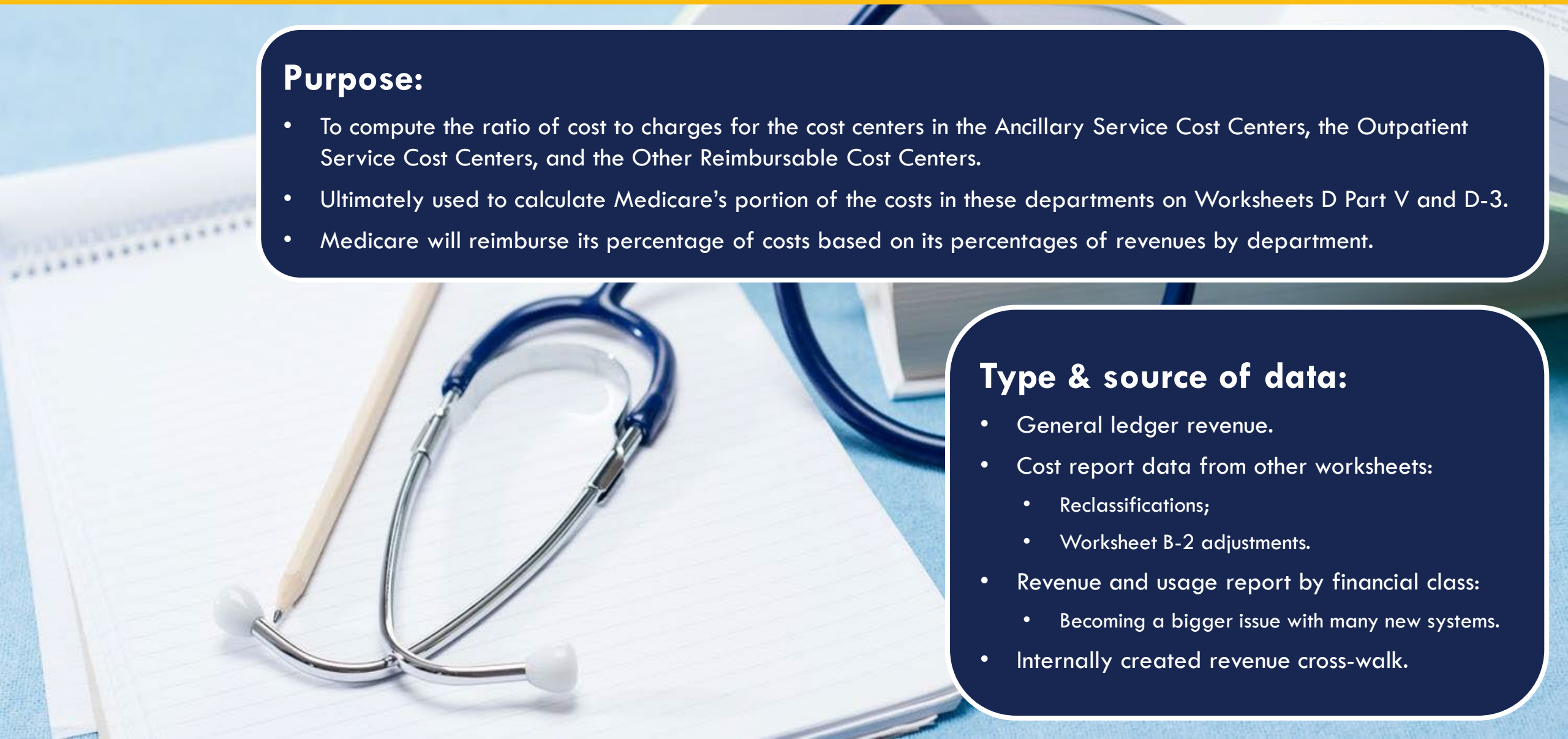
Review opportunities periodically and whenever there are changes in organization.

When adding/removing a service line, understand this will have an effect on other cost centers and will impact Medicare reimbursement also, model the impact.

Have department review allocations for appropriateness.

WORKSHEET C

WORKSHEET C, PART I



Purpose:

- To compute the ratio of cost to charges for the cost centers in the Ancillary Service Cost Centers, the Outpatient Service Cost Centers, and the Other Reimbursable Cost Centers.
- Ultimately used to calculate Medicare's portion of the costs in these departments on Worksheets D Part V and D-3.
- Medicare will reimburse its percentage of costs based on its percentages of revenues by department.

Type & source of data:

- General ledger revenue.
- Cost report data from other worksheets:
  - Reclassifications;
  - Worksheet B-2 adjustments.
- Revenue and usage report by financial class:
  - Becoming a bigger issue with many new systems.
- Internally created revenue cross-walk.

Column 1 comes from Worksheet B, Part 1

Total inpatient and outpatient charges are entered in columns 6 & 7

Exclude professional revenue billed to Part B

Hospital departments need to be combined in the same manner as expenses for proper matching of revenue and expenses

Total revenue must reconcile to the audited financials with adjustments noted

Non-operating revenue is not included

- Must eliminate all professional charges:
  - Identify all professional charges.
    - Hospitalists
    - Surgeons
    - Interpretations
    - Emergency Room
    - Provider Based Clinics
  - Worksheet A-8-2 offsets should be matched with professional charge offsets:
    - EKG and Imaging interpretations are common problem areas.
  - Look for “professional fees” in general ledger as revenues may be buried in departmental revenues.
  - Look for revenue codes 96x, 97x and/or 98x in crosswalks.
  - Recommend separate general ledger accounts for all professional charges!!!
- Reclass revenues to match any reclasses noted in Worksheets A-6 and/or B-2, prior to input.

Worksheet C overall monitoring of trends:

- Make sure you can answer and document reasons for large variations.
  - Increased volumes
  - Reduction in expenses
  - Inappropriate inclusion of professional fees
  - Movement of where services are rendered without moving of revenues and/or expenses.

WORKSHEET C

COMPUTATION OF RATIO OF COSTS TO CHARGES		Provider CCN: 99-9999			Worksheet C, Part I	
Cost Center Description	Total Cost B Part I	Total Costs	Charges Inpatient	Charges Outpatient	Charges Total	Cost or Other Ratio
	1	5	6	7	8	9
INPATIENT ROUTINE SERVICE COST CENTERS						
30 ADULTS & PEDIATRICS	2,580,134	2,580,134	2,478,745		2,478,745	To D-1
46 OTHER LONG TERM CARE	4,255,642	4,255,642	3,438,750		3,438,750	
ANCILLARY SERVICE COST CENTERS						
50 OPERATING ROOM	451,478	451,478	0	667,014	667,014	0.676864
53 ANESTHESIOLOGY	17,295	17,295	1,716	26,398	28,114	0.615174
54 RADIOLOGY - DIAGNOSTIC	1,232,154	1,232,154	365,066	5,575,072	5,940,138	0.207429
60 LABORATORY	1,172,545	1,172,545	533,766	3,529,438	4,063,204	0.288576
66 PHYSICAL THERAPY	747,263	747,263	99,147	1,346,073	1,445,220	0.517058
67 OCCUPATIONAL THERAPY	56,800	56,800	107,489	131,995	239,484	0.237177
68 SPEECH PATHOLOGY	20,394	20,394	27,427	52,630	80,057	0.254743
71 MEDICAL SUPPLIES CHARGED TO PATIENTS	2,098	2,098	0	3,853	3,853	0.544511
73 DRUGS CHARGED TO PATIENTS	935,075	935,075	294,279	1,957,218	2,251,497	0.415313
75 SLEEP LAB	47,542	47,542	0	140,499	140,499	0.33838
75 DIABETIC EDUCATION	5,038	5,038	0	5,152	5,152	0.977873
75 OUTPATIENT SERVICES	219,185	219,185	208	684,575	684,783	0.320079
OUTPATIENT SERVICE COST CENTERS						
88 RURAL HEALTH CLINIC	2,796,588	2,796,588	0	2,350,118	2,350,118	To M-1
91 EMERGENCY	1,571,071	1,571,071	34,256	1,636,896	1,671,152	0.940113
92 OBSERVATION BEDS (NON-DISTINCT PART)	240,303	240,303	27,961	309,036	336,997	0.713072
200 Subtotal (see instructions)	16,350,605	16,350,605	7,408,810	18,415,967	25,824,777	
201 Less Observation Beds	240,303	240,303				
202 Total (see instructions)	16,110,302	16,110,302	7,408,810	18,415,967	25,824,777	
						To Ds

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WORKSHEET C – CCR DEVELOPMENT

Lab			
Description	Cost Report Worksheet	Costs & Charges	Cost to Charge Ratio
	1	2	3
Direct expenses - Salary	A	337,000	
Direct expenses - Other	A	420,600	
Reclassification of expenses	A-6	-	
Adjustments to expenses	A-8	(38,647)	
Allocated general service costs	B part I	453,592	
Total allowable costs for Lab	B part I		1,172,545
Inpatient charges	C	533,766	
Outpatient charges	C	3,529,438	
Total charges for lab			4,063,204
Costs divided by charges (CCR)			**0.288576**

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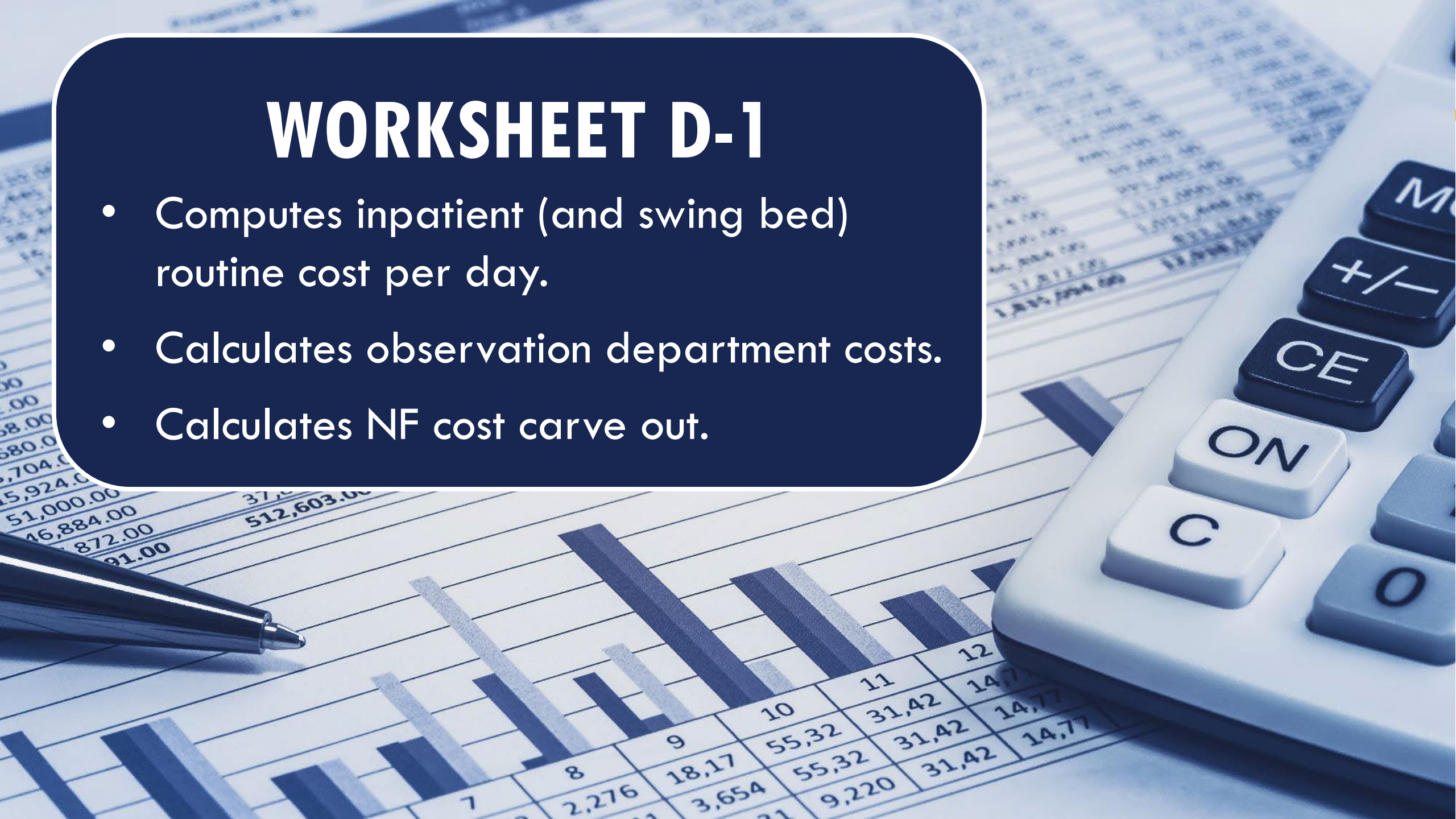
WORKSHEET D SERIES – D-1 D, PART V D-3

WORKSHEET D-1

- Computes inpatient (and swing bed) routine cost per day.
- Calculates observation department costs.
- Calculates NF cost carve out.



ROUTINE COST PER DAY

IP Routine (Adult/Peds) Direct & Indirect (Allocated) Costs

Adult & Peds Days + Swingbed SNF Days + Observation Days Equivalent

= Routine Cost per Day

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WORKSHEET D-1, PARTIAL

Cost Report Calculation - not shown on the cost report				
Worksheet	Description	Days	Costs	Inpatient Per Diem
S-3	Hospital Adults & Peds.	500		
S-3	Hospital Adults & Peds. Swing Bed SNF	450		
S-3	Observation Bed Days	98		
	Total routine service days	1,048		
B part I	Total general inpatient routine service cost		2,580,134	
D-1	Less - calculated Swing-bed NF costs (D-1 lines 24 and 25)		(10,366)	
	Total routine services costs net of NF costs		2,569,768	2,452.07

COMPUTATION OF INPATIENT OPERATING COST			Partial Worksheet D-1
	38	Adjusted general inpatient routine service cost per diem (see instructions)	2,452.07
S-3		Medicare inpatient days	312
	39	Program general inpatient routine service cost (line 9 x line 38)	765,046
	40	Medically necessary private room cost applicable to the Program (line 14 x line 35)	0
	41	Total Program general inpatient routine service cost (line 39 + line 40)	765,046

To E-3

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WORKSHEET D PART V

Worksheet D Part V.

Reporting of outpatient Medicare charges.

Apportionment of Medical and other health services costs.

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WORKSHEET D PART V

APPORTIONMENT OF MEDICAL, OTHER HEALTH SERVICES AND VACCINE COST		Provider CCN: 99-9999			Worksheet D, Part V
		Charges		Cost	
Cost Center Description	CCR	Cost Reimb services	Not Subject To Ded. & Co.	Cost Reimb services	Not Subject To Ded. & Co.
	1	3	4	6	7
ANCILLARY SERVICE COST CENTERS	From W/S C				
50 OPERATING ROOM	0.676864	343,250	0	232,334	0
53 ANESTHESIOLOGY	0.615174	14,135	0	8,695	0
54 RADIOLOGY - DIAGNOSTIC	0.207429	2,863,810	41	594,037	9
60 LABORATORY	0.288576	1,939,240	0	559,618	0
66 PHYSICAL THERAPY	0.517058	698,855	0	361,349	0
67 OCCUPATIONAL THERAPY	0.237177	115,892	0	27,487	0
68 SPEECH PATHOLOGY	0.254743	52,139	0	13,282	0
71 MEDICAL SUPPLIES CHARGED TO PATIENTS	0.544511	3,027	0	1,648	0
73 DRUGS CHARGED TO PATIENTS	0.415313	1,505,371	500	625,200	208
75.01 SLEEP LAB	0.33838	97,445	0	32,973	0
75.02 DIABETIC EDUCATION	0.977873	2,576	0	2,519	0
75.03 OUTPATIENT SERVICES	0.320079	355,502	0	113,789	0
OUTPATIENT SERVICE COST CENTERS					
88 RURAL HEALTH CLINIC					
91 EMERGENCY	0.940113	802,810	70	754,732	66
92 OBSERVATION BEDS (NON-DISTINCT PART)	0.713072	163,230	0	116,395	0
200 Subtotal (see instructions)		8,957,282	611	3,444,058	283
201 Less PBP Clinic Lab. Services-Program Only Charges		0	0	0	
202 Net Charges (line 200 - line 201)		8,957,282	611	3,444,058	283

To Worksheet E part B

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WORKSHEET D-3

- Worksheets D-3.
- Two worksheets, one for inpatient ancillary service cost allocation and one for swing-bed ancillary service cost apportionment.
- Identical formats.

WORKSHEET D-3

INPATIENT ANCILLARY SERVICE COST APPORTIONMENT			Worksheet D-3
Provider CCN: 99-9999			
Cost Center Description	CCR	Inpatient Program Charges	Inpatient Program Costs
	1	2	3
INPATIENT ROUTINE SERVICE COST CENTERS			
30 ADULTS & PEDIATRICS		1,024,076	
ANCILLARY SERVICE COST CENTERS	**From W/S C**		
50 OPERATING ROOM	0.676864	-	-
53 ANESTHESIOLOGY	0.615174	1,463	900
54 RADIOLOGY - DIAGNOSTIC	0.207429	208,061	43,158
60 LABORATORY	0.288576	320,017	92,349
66 PHYSICAL THERAPY	0.517058	17,053	8,817
67 OCCUPATIONAL THERAPY	0.237177	12,628	2,995
68 SPEECH PATHOLOGY	0.254743	6,650	1,694
71 MEDICAL SUPPLIES CHARGED TO PATIENTS	0.544511	-	-
73 DRUGS CHARGED TO PATIENTS	0.415313	144,402	59,972
75.01 SLEEP LAB	0.33838	-	-
75.02 DIABETIC EDUCATION	0.977873	-	-
75.03 OUTPATIENT SERVICES	0.320079	208	67
OUTPATIENT SERVICE COST CENTERS			
88 RURAL HEALTH CLINIC	0		-
91 EMERGENCY	0.940113	-	-
92 OBSERVATION BEDS (NON-DISTINCT PART)	0.713072	-	-
200 Total (sum of lines 50 through 94 and 96 through 98)		710,482	209,952
201 Less PBP Clinic Laboratory Services-Program only charges (line 61)		-	
202 Net charges (line 200 minus line 201)		710,482	

Inpatient To E-3

Swing-bed worksheet goes to E-2

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LAB REIMBURSEMENT

Lab						
Description	Cost Report Worksheet	Costs & Charges	Cost to Charge Ratio	Medicare Outpatient Charges	Medicare Inpatient Charges	Medicare Swing-bed Charges
	1	2	3	4	5	6
Direct expenses - Salary	A	337,000				
Direct expenses - Other	A	420,600				
Reclassification of expenses	A-6	-				
Adjustments to expenses	A-8	(38,647)				
Allocated general service costs	B part I	453,592				
Total allowable costs for Lab	B part I		1,172,545			
Inpatient charges	C	533,766				
Outpatient charges	C	3,529,438				
Total charges for lab			4,063,204			
Medicare charges	D's			1,939,240	320,017	86,227
Costs divided by charges (CCR)			**0.288576**	**0.288576**	**0.288576**	**0.288576**
Medicare cost apportionment				**559,619**	**92,349**	**24,883**
	Total reimbursement for lab at 101%					**683,620**

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WORKSHEET E

WORKSHEET E SUMMARY

E, Part B – computes final settlement for outpatient services.

E-1 – reports total interim payments received during the fiscal year from the MAC (IP, OP and SWB).

E-2 – computes final settlement for swing-bed services.

E-3 computes final settlement for inpatient services.

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WORKSHEET E, PART B

CALCULATION OF REIMBURSEMENT SETTLEMENT			Worksheet E, Part B
	Provider CCN:	99-9999	
			1
	PART B - MEDICAL AND OTHER HEALTH SERVICES		
1	Medical and other services (see instructions)	Worksheet E, Part V	3,444,341
11	Total cost (sum of lines 1 and 10) (see instructions)		3,444,341
	COMPUTATION OF LESSER OF COST OR CHARGES		
21	Lesser of cost or charges (see instructions)	101%	3,478,784
22	Interns and residents (see instructions)		0
23	Cost of physicians' services in a teaching hospital (see instructions)		0
24	Total prospective payment (sum of lines 3, 4, 4.01, 8 and 9)		0
	COMPUTATION OF REIMBURSEMENT SETTLEMENT		
25	Deductibles	PS&R	23,681
26	Coinsurance	PS&R	1,370,955
27	Subtotal [(lines 21 and 24 minus the sum of lines 25 and 26) plus the sum of lines 22 and 23		2,084,148
28	Direct graduate medical education payments (from Wkst. E-4, line 50)		0
30	Subtotal (sum of lines 27, 28, 28.50 and 29)		2,084,148
31	Primary payer payments	PS&R	882
32	Subtotal (line 30 minus line 31)		2,083,266
	ALLOWABLE BAD DEBTS (EXCLUDE BAD DEBTS FOR PROFESSIONAL SERVICES)		
34	Allowable bad debts (see instructions)		0
35	Adjusted reimbursable bad debts (see instructions)		0
36	Allowable bad debts for dual eligible beneficiaries (see instructions)		0
37	Subtotal (see instructions)		2,083,266
40	Subtotal (see instructions)		2,083,266
40	Sequestration adjustment (see instructions)		41,665
41	Interim payments	From E-1	1,949,837
43	Balance due provider/program (see instructions)	To worksheet S	91,764

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WORKSHEET E-1

ANALYSIS OF PAYMENTS TO PROVIDERS FOR SERVICES RENDERED					Worksheet E-1, Part I	
			Provider CCN:	99-9999		
	Description		Inpatient Part A mm/dd/yyyy	Amount	Part B mm/dd/yyyy	Amount
		0	1	2	3	4
1	Total interim payments paid to provider	**PS&R**		985,990		1,949,837
	Program to Provider					
3.01	ADJUSTMENTS TO PROVIDER	**Interim settlements**		0		0
	Provider to Program					
3.5	ADJUSTMENTS TO PROGRAM	**Interim Settlements**		0		0
3.51				0		0
3.99	Subtotal (sum of lines 3.01-3.49 minus sum of lines 3.50-3.98)			**To E-3**		**To E-B**
4	Total interim payments (sum of lines 1, 2, and 3.99) (transfer to Wkst. E or Wkst. E-3,			985,990		1,949,837

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WORKSHEETS E-2 AND E-3

- Inpatient and Swing-bed settlements.
- Similar to E, Part B:
  - Routine and Ancillary Medicare costs summarized.
  - Reduced by PS&R amounts for deductible, coinsurance, net interim payments, etc.

WORKSHEET G

WORKSHEET G SERIES

Purpose:

- Report client financial information.

Type of data:

- Year-end financial statements.
- Trial balance.

General points:

- Informational.
- Worksheet G and G-3 from financial statements.
- Worksheet G-2 from trial balance.
- Worksheet G-1 from financials and other worksheets.
- Other Income.
- Reconcile to audited financial stmts.
- Data used by data miners.

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WORKSHEET M SERIES

WORKSHEETS M SERIES

- Worksheet M Series.
- M-1 – RHC costs from worksheet A classified by:
  - Facility healthcare staff costs.
  - Costs other than RHC services.
  - Facility overhead.
- M-2 – Determines productivity limits (for now) and allowable costs for RHC services.
- M-3 - Calculation of reimbursement settlement:
  - Determines cost per visit.
  - Determines if subject to per visit cost limit.
  - Calculates final Medicare RHC settlement.
- M-4 – Computation of RHC Vaccine costs.
- M-5 – RHC interim payments and settlements (similar to E-1).

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WORKSHEETS M-1

ANALYSIS OF HOSPITAL-BASED RHC/FQHC COSTS			Provider CCN: 99-9999				Worksheet M-1
			Component CCN: 99-3999	RHC I			
Matches Worksheet A	Compensation	Other Costs	Total	Reclasses	Reclassed TB	Adjust	Costs
	1	2	3	4	5	6	7
	FACILITY HEALTH CARE STAFF COSTS						
1	Physician	411,560	-	411,560	(70,301)	341,259	(32,415)	308,844
2	Physician Assistant	258,304	-	258,304	-	258,304	-	258,304
3	Nurse Practitioner	83,902	-	83,902	(3,960)	79,942	-	79,942
6	Clinical Psychologist	-	-	-	-	-	-	-
7	Clinical Social Worker	-	-	-	-	-	-	-
9	Other Facility Health Care Staff Costs	693,016	-	693,016	-	693,016	-	693,016
10	Subtotal (sum of lines 1 through 9)	1,446,782	-	1,446,782	(74,261)	1,372,521	(32,415)	1,340,106
11	Physician Services Under Agreement	-	-	-	-	-	-	-
17	Depreciation-Medical Equipment	-	-	-	-	-	-	-
18	Professional Liability Insurance	-	21,788	21,788	-	21,788	-	21,788
19	Other Health Care Costs	-	197,062	197,062	-	197,062	(56,156)	140,906
21	Subtotal (sum of lines 15 through 20)	-	248,180	248,180	-	248,180	(56,156)	192,024
22	Total Cost of Health Care Services	1,446,782	248,180	1,694,962	(74,261)	1,620,701	(88,571)	1,532,130
	COSTS OTHER THAN RHC/FQHC SERVICES							
25	Telehealth	3,320	-	3,320	-	3,320	-	3,320
25	Chronic Care Management	9,836	-	9,836	-	9,836	-	9,836
26	All other nonreimbursable costs	-	-	-	-	-	-	-
28	Total Nonreimbursable Costs (sum of lines 2	13,156	-	13,156	-	13,156	-	13,156
	FACILITY OVERHEAD							
29	Facility Costs	-	77,539	77,539	28,561	106,100	-	106,100
30	Administrative Costs	154,466	64,110	218,576	(155,566)	63,010	-	63,010
31	Total Facility Overhead	154,466	141,649	296,115	(127,005)	169,110	-	169,110
32	Total facility costs	1,614,404	389,829	2,004,233	(201,266)	1,802,967	(88,571)	1,714,396
The net expenses for cost allocation on Worksheet A for RHC/FQHC cost center line must equal the total facility costs in column 7							

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WORKSHEET M-2

ALLOCATION OF OVERHEAD TO HOSPITAL-BASED RHC/FQHC SERVICES		Provider CCN: 99-9999 Component CCN: 99-3999			Worksheet M-2	
		FTEs	Total Visits	RHC I Prod. Stand	Min. Visits	Greater of 2 or 4
		1	2	3	4	5
	VISITS AND PRODUCTIVITY					
	Positions					
1	Physician	0.78	2,110	4,200	3,276	
2	Physician Assistant	1.07	2,963	2,100	2,247	
3	Nurse Practitioner	0.61	1,927	2,100	1,281	
4	Subtotal (sum of lines 1 through 3)	2.46	7,000		6,804	7,000
5	Visiting Nurse	0	0			0
6	Clinical Psychologist	0	0			0
7	Clinical Social Worker	0	0			0
7.01	Medical Nutrition Therapist (FQHC only)	0	0			0
7.02	Diabetes Self Management Training (FQHC only)	0	0			0
7.03	Marriage and Family Therapist	0	0			0
7.04	Mental Health Counselor	0	0			0
8	Total FTEs and Visits (sum of lines 4 through 7)	2.46	7,000			7,000
9	Physician Services Under Agreements		0			0
	DETERMINATION OF ALLOWABLE COST APPLICABLE TO HOSPITAL-BASED RHC/FQHC SERVICES					
10	Total costs of health care services (from Wkst. M-1, col. 7, line 22)			M-1 allowable costs		1,532,130
11	Total nonreimbursable costs (from Wkst. M-1, col. 7, line 28)					13,156
12	Cost of all services (excluding overhead) (sum of lines 10 and 11)					1,545,286
13	Ratio of hospital-based RHC/FQHC services (line 10 divided by line 12)					0.991486
14	Total hospital-based RHC/FQHC overhead - (from Worksheet. M-1, col. 7, line 31)					169,110
15	Parent provider overhead allocated to facility (see instructions)					1,082,192
16	Total overhead (sum of lines 14 and 15)					1,251,302
18	Enter the amount from line 16					1,251,302
19	Overhead applicable to hospital-based RHC/FQHC services (line 13 x line 18)					1,240,648
20	Total allowable cost of hospital-based RHC/FQHC services (sum of lines 10 and 19)					2,772,778

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WORKSHEETS M-3, PARTIAL

Development of cost per visit.

CALCULATION OF REIMBURSEMENT SETTLEMENT FOR HOSPITAL-BASED RHC/FQHC SERVICES	Provider CCN:	99-9999	Worksheet M-3
	Component CCN:	99-3999	
	Title XVIII	RHC I	

		1
	DETERMINATION OF RATE FOR HOSPITAL-BASED RHC/FQHC SERVICES	
1	Total Allowable Cost of hospital-based RHC/FQHC Services (from Wkst. M-2, line 20)	2,772,778
2	Cost of injections/infusions and their administration (from Wkst. M-4, line 15)	311,054
3	Total allowable cost excluding injections/infusions (line 1 minus line 2)	2,461,724
4	Total Visits (from Wkst. M-2, column 5, line 8)	7,000
5	Physicians visits under agreement (from Wkst. M-2, column 5, line 9)	0
6	Total adjusted visits (line 4 plus line 5)	7,000
7	Adjusted cost per visit (line 3 divided by line 6)	351.67

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WORKSHEETS M-3, PARTIAL

Payment limitation and calculation of program cost.

CALCULATION OF REIMBURSEMENT SETTLEMENT FOR HOSPITAL-BASED RHC/FQHC SERVICES		Provider CCN:	99-9999	Worksheet M-3
		Component CCN:	99-3999	
		Title XVIII	RHC I	
				1
			Rate Limit 07/01 to 12/31	Rate Limit 07/01 to 12/31
8	Per visit payment limit (from CMS Pub. 100-04, chapter 9, §20.6 or your contractor)		347.13	363.1
9	Rate for Program covered visits (see instructions)		347.13	351.67
	CALCULATION OF SETTLEMENT			
10	Program covered visits excluding mental health services (from contractor records)		1,754	1,725
11	Program cost excluding costs for mental health services (line 9 x line 10)		608,866	606,631
12	Program covered visits for mental health services (from contractor records)		-	-
13	Program covered cost from mental health services (line 9 x line 12)		-	-
14	Limit adjustment for mental health services (see instructions)		-	-
16	Total Program cost (sum of lines 11, 14, and 15, columns 1, 2 and 3) *		-	1,215,497
16.01	Total program charges (see instructions)(from contractor's records)			1,011,419
16.02	Total program preventive charges (see instructions)(from provider's records)			74,510
16.03	Total program preventive costs ((line 16.02/line 16.01) times line 16)			89,544
16.04	Total Program non-preventive costs ((line 16 minus lines 16.03 and 18) times .80) (Titles V and XIX see instructions.)			859,454
16.05	Total program cost (see instructions)		Costs, less deduct, less 20%	948,998

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WORKSHEETS M-3, PARTIAL

Calculation of line 16.05 total program cost.

Line	Description	Amount
16	Total program costs	1,215,497
16.03	Less preventive costs	89,544
18	Less deductible	51,635
Calc	Costs subject to coinsurance	1,074,318
Calc	Costs subject to coinsurance, net 20% coinsurance	859,454
16.03	Preventive costs not subject to coinsurance	89,544
16.05	Program costs from visits	948,998

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WORKSHEETS M-3, PARTIAL

Final settlement determination.

CALCULATION OF REIMBURSEMENT SETTLEMENT FOR HOSPITAL-BASED RHC/FQHC SERVICES	Provider CCN:	99-9999	Worksheet M-3
	Component CCN:	99-3999	
	Title XVIII	RHC I	

			1
16.05	Total program cost (see instructions)	Costs, less deduct, less 20%	948,998
17	Primary payer amounts		-
18	Less: Beneficiary deductible for RHC only (see instructions) (from contractor records)		51,635
19	Beneficiary coinsurance for RHC/FQHC services (see instructions) (from contractor records)	Not used, calc on cost	177,055
20	Net program cost excluding injections/infusions (see instructions)		948,998
21	Program cost of vaccines and their administration (from Wkst. M-4, line 16)		128,327
22	Total reimbursable Program cost (sum of lines 20, 21, 21.50, minus line 21.60)		1,077,325
23	Allowable bad debts (see instructions)		-
23.01	Adjusted reimbursable bad debts (see instructions)		-
24	Allowable bad debts for dual eligible beneficiaries (see instructions)		-
26	Net reimbursable amount (see instructions)		1,077,325
26.01	Sequestration adjustment (see instructions)		21,547
26.02	Demonstration payment adjustment amount after sequestration		-
27	Interim payments	From Worksheet M-5	891,488
29	Balance due component/program (line 26 minus lines 26.01, 26.02, 27, and 28)	To Worksheet S	164,290

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RURAL HEALTH CLINIC - REIMBURSEMENT

RHC REIMBURSEMENT

- Passage of Consolidated Appropriations Act of 2021:
  - Included comprehensive payment reforms for all RHCs
  - Established reimbursement caps for all RHCs (freestanding and provider based):
    - Existing provider based RHCs at 12/31/20 assigned grandfathered base rate calculated from 2020 cost report:
      - Base rate updated annually by Medicare economic index (MEI).
        - 3.8% effective 1/1/2023
        - 4.6% effective 1/1/2024
        - 3.5% effective 1/1/2025

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RURAL HEALTH CLINICS — CONTROLLING COST PER VISIT

MANAGING COST STRATEGIES

- Calculating Medicare cost per visit / all-inclusive rate
  - Facility Healthcare Staff Costs
    - Includes - Physicians, physician assistant, nurse practitioner, clinical psychologist, clinical social worker, marriage and family therapist, mental health counselor, lab tech, contracted providers, supplies, other
  - Costs Other Than RHC Services (defined on next slide)
    - Includes - Pharmacy, dental, optometry, telehealth, chronic care management, and other non-cost based reimbursable costs
  - Facility Overhead
    - Includes - Facility costs and administrative costs

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MANAGING COST STRATEGIES

- Costs Other Than RHC Services
  - Certain services are not considered RHC services either because they are
    1) not included in the RHC benefit (Medicare Benefit Policy Manual, Chapter 13)
    2) not a Medicare benefit (Medicare Benefit Policy Manual, Chapter 16)
  - Examples of non-RHC Services include:
    - Medicare excluded services - Routine physical checkups, dental care (that are not inextricably linked to other covered medical services), hearing tests, routine eye exams, etc.
    - Tech component of an RHC service – Diagnostics such as x-ray, EKG, etc.
    - Lab services
    - Durable medical equipment
    - Group services

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OPPORTUNITIES IN DEALING WITH NEW CAP LIMITS

- Add Visits -
  - New services
- Lower Costs -
  - Lower Labor/Overhead
  - Change provider mix

MANAGING COST STRATEGIES

- Review the types of services being provided in the RHC setting:
  - Relocate high-cost specialists:
    - Primary care physician wages lower than specialists.
    - Specialists with lower visits and higher cost will exceed upper payment limit and dilute reimbursement of primary care clinicians.
  - Opportunity:
    - Consider a provider-based clinic for specialty services instead of RHC.
      - Professional component (fee schedule) and technical component (cost based)
      - Especially effective with non-grandfathered RHCs

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MANAGING COST STRATEGIES

- Review the types of providers in the RHC setting:
  - Add low-cost providers:
    - Nurse practitioner and physician assistant wages lower than primary care physician wages.
    - Nurse practitioner and physician assistant with higher visits and lower cost will dilute cost per visit.
  - Opportunity:
    - Consider adding nurse practitioners or physician assistants to the RHC when existing cost per visit exceeds reimbursement cap.

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MANAGING COST STRATEGIES

- Review the types of providers/services being provided in the RHC setting:
  - Add low-cost services:
    - Mental health provider wages lower than primary care clinician wages.
    - Mental health providers with higher visits and lower cost will dilute cost per visit.
  - Opportunity:
    - Consider adding lower cost per visit services to the RHC when existing cost per visit exceeds reimbursement cap.

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MANAGING COST STRATEGIES

- Review the types of overhead costs being allocated to the RHC on Medicare cost report B Series:
  - Depreciation
  - Employee benefits
  - Administrative and general (fragment?)
  - Plant / maintenance
  - Laundry
  - Housekeeping
  - Cafeteria
  - Medical records

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MANAGING COST STRATEGIES

- Are RHC practitioners providing services in other parts of the Hospital?
  - Emergency room call
  - Medical director
  - Are these costs in the right department / line on the cost report

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RURAL HEALTH CLINICS – RECENT CHANGES

2025 OPPS/MPFS FINAL RULES

- RHC Surveys – expected beginning January 1, 2025, surveyors will just assure "some" primary care services are being provided, rather than historical 50% standard
- Effective with cost report periods ending after December 31, 2024, productivity standards no longer applicable
- Mental health telehealth in-person requirement waived through December 31, 2025
- Vaccine changes

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RHC VACCINATIONS

- Effective July 1, 2025 - RHCs can bill for all four types of Part B preventive vaccines, and their administration, at the time of service with or without a qualifying visit.
  - Pneumococcal, influenza, hepatitis B, and COVID-19
- Effective July 1, 2025 - RHCs can bill HCPCS code M0201 for an in-home additional payment for Part B preventive vaccine administration only if a home visit meets all the requirements of both 42 CFR 405 Subpart X (services provided in the home) and 42 CFR 410.152(h)(3)(iii) (administration).

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RHC VACCINATIONS

- Previous reimbursement method – No interim billings with settlement based on the Medicare cost report.
- New reimbursement method – Bill as services are provided with a final settlement based on the Medicare cost report.
  - Should improve cash flow
  - Expect to see a new report type on the Medicare PS&R
- Take Away - Be sure your billers know how to bill Medicare for these services starting July 1, 2025.

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RHC VACCINATIONS

- Billing information from the Federal Register

TABLE 51: CY 2025 Part B Payments for Preventive Vaccine Administration if the EUA Declaration for Drugs and Biologicals with Respect to COVID-19 Continues into CY 2025

Category of Part B Product Administration	Part B Payment Amount (Unadjusted)	Annual Update[6]	Geographic Adjustment
Influenza, Pneumococcal, Hepatitis B Vaccines[1,4]	$33.71	MEI	GAF
COVID-19 Vaccine[2,4]	$44.95	MEI	GAF
In-Home Additional Payment for Part B Vaccine Administration (M0201)[4]	$39.90	MEI	GAF
COVID-19 Monoclonal Antibodies (for Treatment or Post-Exposure Prophylaxis) [3,4,5]	N/A	N/A	N/A
COVID-19 Monoclonal Antibodies (for Pre-Exposure Prophylaxis)[3,4]	N/A	N/A	N/A
Intravenous Infusion: Health Care Setting	$450	N/A	GAF

[1] HCPCS Codes G0008, G0009, G0010.
[2] CPT code 90480.
[3] *https://www.cms.gov/monoclonal.*
[4] Beneficiary coinsurance and deductible are not applicable.
[5] As of the issuance of the CY 2025 PFS final rule, there are no monoclonal antibodies approved or authorized for the treatment or for post-exposure prophylaxis of COVID-19.
[6] The CY 2025 percentage increase of the 2017-based MEI is 3.5 percent, based on historical data through the 2nd quarter of 2024.

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CLOSING THOUGHTS

- Cost reporting is complicated – understand your facility.
- Significant opportunities to find or lose money on cost report.
- Consider “permission” versus “forgiveness”.
- Exercise caution on strategies that sound to good to be true.
- Do not implement any changes without understanding the impact of the changes on your specific organization.

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QUESTIONS?