Optimizing Critical Access Hospital Reimbursement in an Everchanging Regulatory Environment

Rural MN Health Forum May 2023

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Learning Objectives

- Have a better understanding of recent regulatory changes
- Have an enhanced understanding on how to strategically position your facility to assure you are getting reimbursed at an optimal level for all services that you are providing.
- Be able to take thoughts and ideas back to your facility to identify areas where reimbursement can be optimized

Agenda

- Critical Access Hospital Reimbursement Basics
- Common Reimbursement Opportunities Which May Be in Your Cost Report
- Evaluating the Impact of Non-Cost Based Departments on a CAH
- Protecting Your Cost Reimbursement From Medicare Audits
- Other Recent Changes to Consider

CAH Reimbursement Basics

What Does Being Cost Based Reimbursed as a Critical Access Hospital Mean?

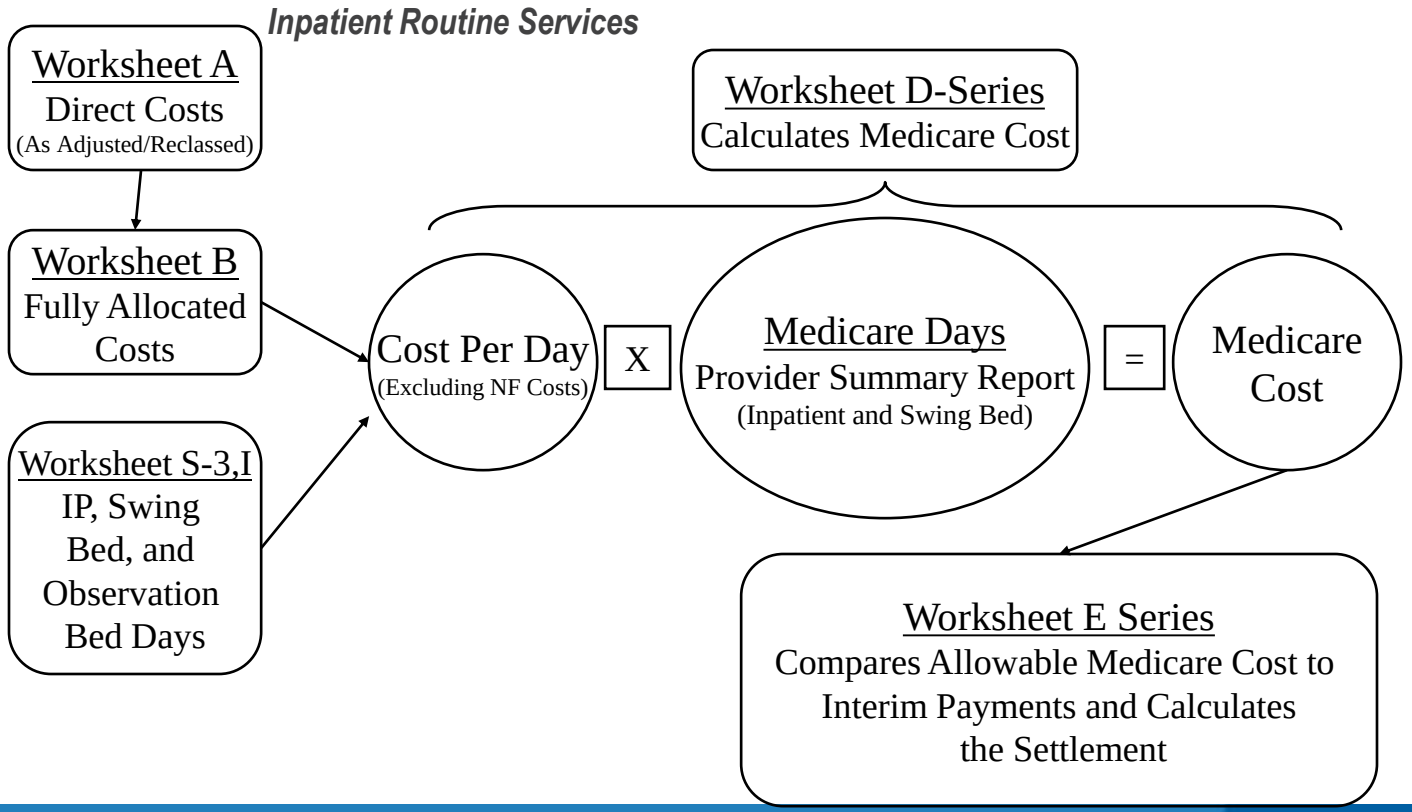
Key CAH Versus PPS Differences

	CAH	PPS
Inpatient Reimbursement	Cost Per Day	DRG
Outpatient Reimbursement	Cost Based	APC
Swing Bed Reimbursement	Cost Per Day	PPS
Outpatient Coinsurance	20% of Charge	20% of APC
Method II Billing Option	Eligible	Not Eligible
Cost Report Sensitivity	High	Lower*
ALOS	96 Hour Limit	Not limited
Key Chargemaster Codes	Revenue Codes	CPT/HCPCS
A License to Spend?	No	No

*Lower for expense allocations but can have some highly sensitive calculations such as DSH

Medicare Cost Report CAH Reimbursement

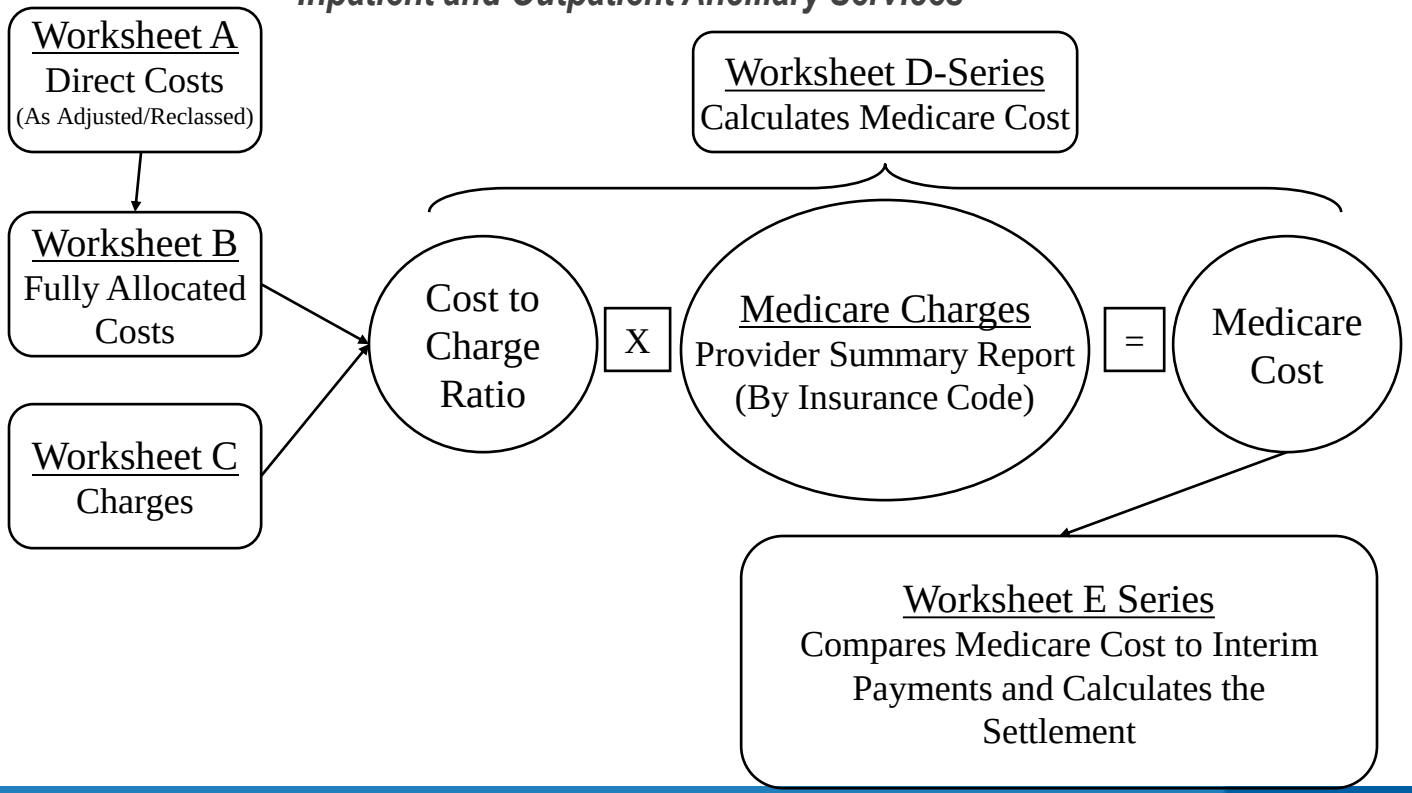
Routine Cost Calculation



Medicare Cost Report CAH Reimbursement

Ancillary Cost Calculation

Inpatient and Outpatient Ancillary Services



Should Your Cost to Charge Ratios Be Higher or Lower?

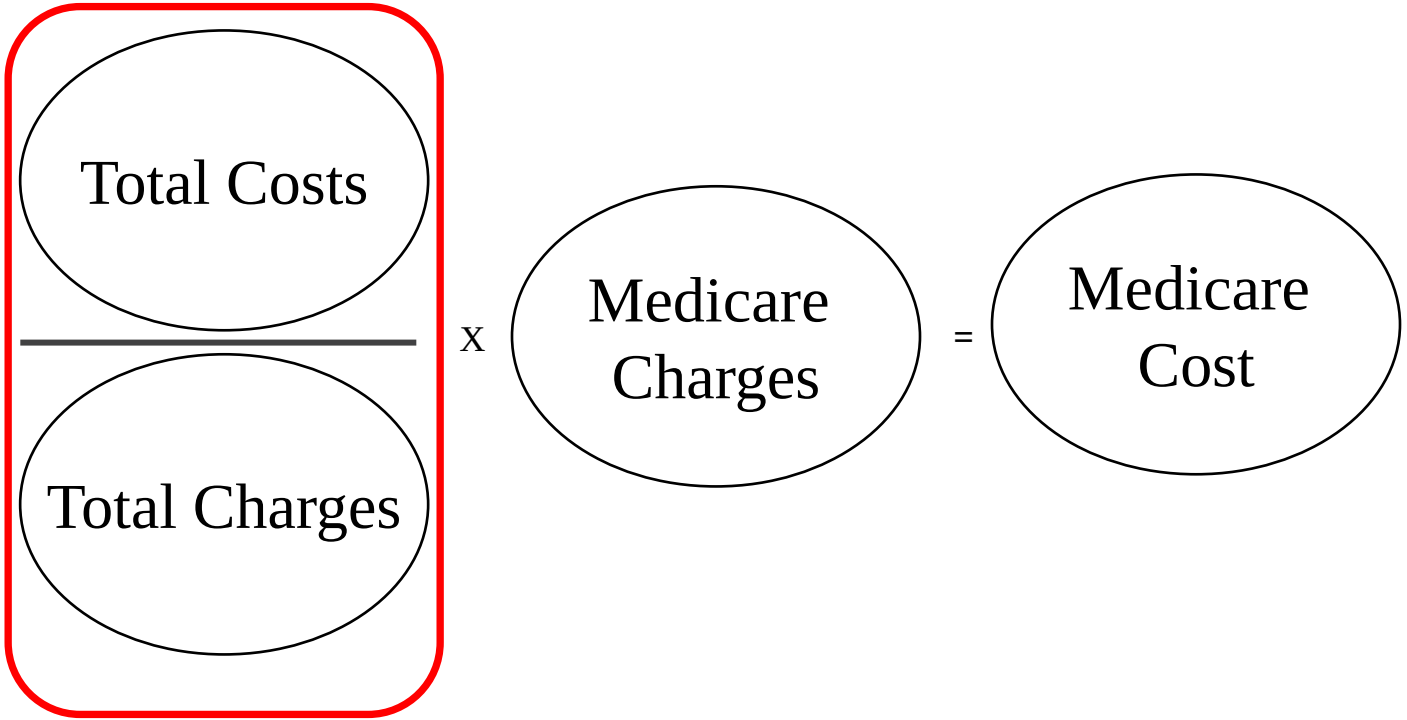
Understanding Your Medicare Cost Report

	Expenses (000's)						
	Direct	Bld. Capital	A&G	Hsk	**Fully Allocated**	Medicare Utilization	**Medicare Reim.**
Building Capital	*160*	*(160)*					
A&G	*800*	*13*	*(813)*				
Housekeeping	*150*	*3*	57	*(210)*			
IP - A&P	500	*32*	198	90	820	70%	**574**
OP - ER	550	*48*	222	83	903	40%	**361**
Clinic - RHC	125	*16*	52	-	193	30%	**58**
Retail Pharmacy	715	48	284	38	1,084	N/A	**N/A**
Total Expenses	3,000	-	-	-	3,000		**993**

Expenses
(WS/A, A-6, A-8, B's)

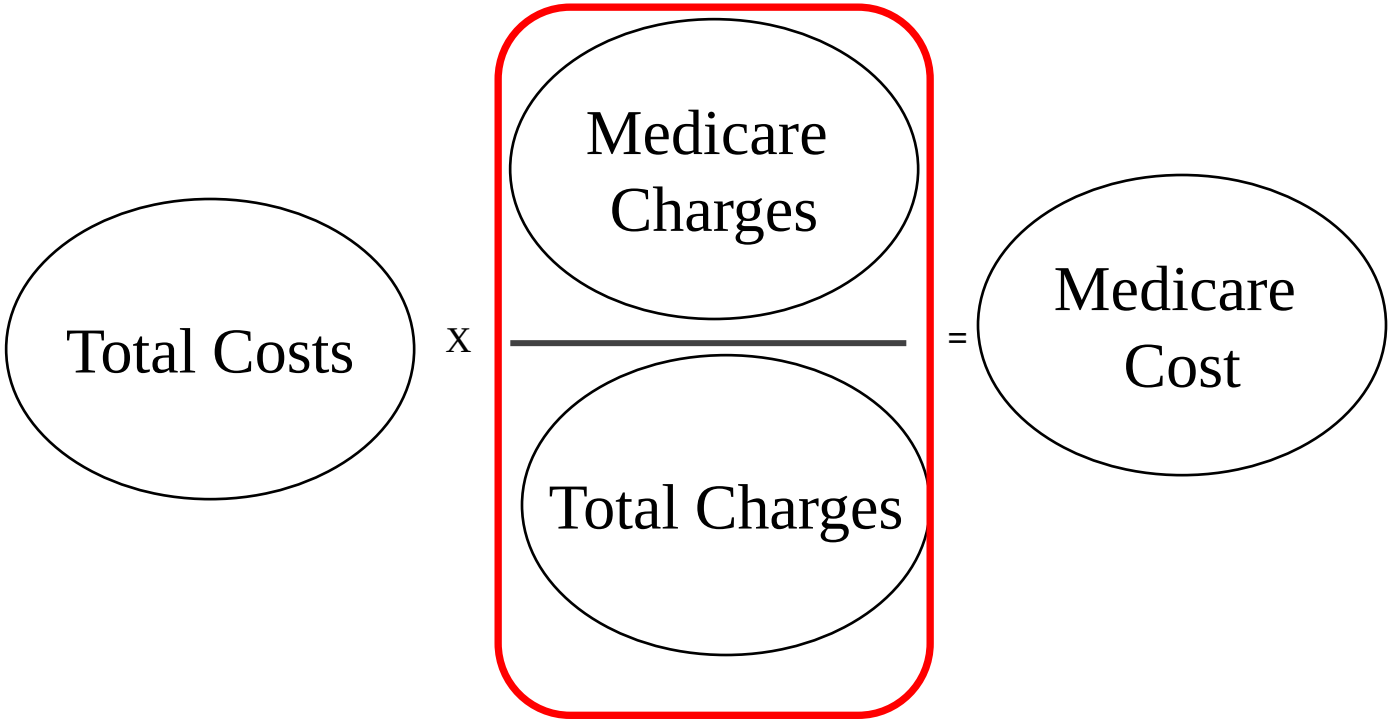
Revenues, Days & Visits, Medicare Data
(WS/C, D's, E's)

Understanding Your Medicare Cost Report



Cost to Charge Ratio (CCR)

Understanding Your Medicare Cost Report



Medicare Utilization By Department

Inpatient and Outpatient Charges

Medicare Line	Description	Current Year Total Charges	Current Year Medicare Charges	Current Year Medicare Utilization %
50	OPERATING ROOM	417,939	323,272	77%
53	ANESTHESIOLOGY	242,553	148,986	61%
54	RADIOLOGY-DIAGNOSTIC	2,995,289	1,629,302	54%
60	LABORATORY	3,830,583	2,081,175	54%
66	PHYSICAL THERAPY	578,599	259,958	45%
67	OCCUPATIONAL THERAPY	297,149	219,354	74%
69	ELECTROCARDIOLOGY	143,682	88,922	62%
71	MEDICAL SUPPLIES CHARGED	61,631	53,177	86%
72	IMPLANTABLE DEVICES	60,362	51,874	86%
73	DRUGS CHARGED	740,598	669,440	90%
76.97	CARDIAC REHAB	28,776	20,928	73%
91	EMERGENCY	632,745	309,071	49%
92	OBSERVATION BEDS	135,782	110,220	81%

Understand Medicare Utilization By Department

$1,000 TABLE						
Medicare Cost Center	Cost Center Description	Impact of Adding $1,000 of Cost To Cost Center	Cost Based Reimbursement Percentage	Expenses Added / (Removed)	Cost Based Reimbursement Impact	Total Increases/ (Decreases) in Net Income
1.00	NEW CAP COSTS-BLDG & FIXT	$ 503	50.3%		-	-
1.01	CAPITAL COSTS - SNF	$ 61	6.1%		-	-
1.03	CAPITAL COSTS - HOSP REMODEL	$ -	0.0%		-	-
2.00	NEW CAP COSTS-MVBLE EQUIP	$ 347	34.7%		-	-
4.00	EMPLOYEE BENEFITS	$ 235	23.5%		-	-
5.01	INFORMATION TECHNOLOGY	$ 306	30.6%		-	-
5.02	BUSINESS OFFICE	$ 539	53.9%		-	-
5.03	ADMINISTRATIVE & GENERAL	$ 248	24.8%		-	-
6.00	MAINTENANCE	$ 171	17.1%		-	-
7.00	OPERATION OF PLANT	$ 202	20.2%		-	-
8.00	LAUNDRY & LINEN SERVICE	$ 19	1.9%		-	-
9.00	HOUSEKEEPING	$ 207	20.7%		-	-
10.00	DIETARY	$ 47	4.7%		-	-
11.00	CAFETERIA	$ 197	19.7%		-	-
13.00	NURSING ADMINISTRATION	$ 812	81.2%		-	-
16.00	MEDICAL RECORDS & LIBRARY	$ 441	44.1%		-	-
17.00	SOCIAL SERVICE	$ 0	0.0%		-	-
19.00	NONPHYSICIAN ANESTHETISTS	$ 668	66.8%		-	-
30.00	ADULTS & PEDIATRICS	$ 848	84.8%		-	-
44.00	SKILLED NURSING FACILITY	$ (29)	-2.9%		-	-
50.00	OPERATING ROOM	$ 849	84.9%		-	-

Understand Medicare Utilization By Department

$1,000 TABLE						
Medicare Cost Center	Cost Center Description	Impact of Adding $1,000 of Cost To Cost Center	Cost Based Reimbursement Percentage	Expenses Added / (Removed)	Cost Based Reimbursement Impact	Total Increases/ (Decreases) in Net Income
53.00	ANESTHESIOLOGY	$ 668	66.8%		-	-
54.00	RADIOLOGY-DIAGNOSTIC	$ 588	58.8%		-	-
60.00	LABORATORY	$ 587	58.7%		-	-
66.00	PHYSICAL THERAPY	$ 481	48.1%		-	-
67.00	OCCUPATIONAL THERAPY	$ 809	80.9%		-	-
69.00	ELECTROCARDIOLOGY	$ 673	67.3%		-	-
71.00	MEDICAL SUPPLIES CHARGED	$ 950	95.0%		-	-
72.00	IMPLANTABLE DEVICES	$ 946	94.6%		-	-
73.00	DRUGS CHARGED	$ 997	99.7%		-	-
76.97	CARDIAC REHAB	$ 796	79.6%		-	-
88.00	RHC #1	$ 97	9.7%		-	-
88.02	RHC #2	$ 46	4.6%		-	-
91.00	EMERGENCY	$ 525	52.5%		-	-
95.00	AMBULANCE SERVICES	$ (29)	-2.9%		-	-
101.00	HOME HEALTH AGENCY	$ (29)	-2.9%		-	-
192.00	PHYSICIANS' PRIVATE OFFICES	$ (29)	-2.9%		-	-
194.00	SCHOOL HEALTH PROGRAM	$ (29)	-2.9%		-	-
194.01	ASSISTED LIVING	$ (29)	-2.9%		-	-
194.02	RETAIL PHARMACY	$ (29)	-2.9%		-	-
194.03	FITNESS CENTER	$ (29)	-2.9%		-	-
194.04	OTHER NON-REIMBURSABLE	$ (29)	-2.9%		-	-

Common Reimbursement Opportunities Which May Be In Your Cost Report

Additional Reimbursement Opportunities

- Avoiding Duplicate Cost Allocations
- Other Expense Opportunities
- Employee Home Departments
- Capitalization Policy
- Componentization of Building Cost Centers
- Cost Segregation of Building Projects
- Identifying Additional Administrative Cost Centers
- Proper Chargemaster Alignment
- Alignment and Reconciliation of Days
- Strategies Related to Physician Expenses

- Identify Duplicate Allocations
  - Expenses which have costs directly assigned and additionally have costs that are allocated to this same department
    - Examples:
      - Independent housekeeping company provides service to a RHC. Directly coded this expense to the RHC department. Additionally included square footage in the cost report when allocating overhead expenses.
      - RHC has separate business office doing the billing and collections. Expenses are coded directly to the RHC. In addition billing costs of the hospital are being allocated to the RHC though the A&G allocation.
        - Don’t forget square footage
    - Especially focus on non-reimbursable departments

- Some common duplicate allocation costs
  - Phone expenses
  - Receptionist costs
  - Insurance
  - Utilities/Garbage services
  - Housekeeping costs
  - Billing/Software Costs
  - Others
- Often located in entities that are tracked separately for internal operating purposes - Clinics, HHA, SNF

Often areas with a lower overall cost based utilization percentage

- Some other areas to look at to be sure you are getting paid what you are owed
  - Identifying hidden costs
    - Understand what is in your general ledger accounts
      - What can't be seen in the description

        600450 – RHC Salaries $400,000

        Does this include maintenance, housekeeping or reception costs?
      - Your cost report preparer generally can only see the trial balance level of detail and doesn't know what is buried

- Identifying hidden costs (Continued)
  - Identifying a similar issue in one client increased operational profitability by $100,000 annually
  - Consider using more general ledger accounts to make the expenses more easily identifiable
    - Be sure your general ledger titles are clear
  - If your general ledger contains interdepartmental allocations be sure to communicate this to the cost report preparer

- Evaluate Employees Home Departments
  - Example:
    - Many CAH facilities utilize floor nurses during traditionally slower emergency room periods to cover the emergency room when patients arrive in the ER. This allows the nursing staff to assist on the inpatient floor to serve patients and results in less ER nursing “downtime”.
      - In many cases we have found that nurses floating between the emergency room and floor have actually been “home based” in the emergency department
        - Typically a 30 to 40% Cost Based Utilization Difference
    - Many CAHs have taken the opportunity to optimize both operational efficiency and reimbursement by making changes to employee workflow and job descriptions

- # Allowable Advertising Costs
  - 2136.ADVERTISING COSTS--GENERAL
  - The allowability of advertising costs depends on whether they are appropriate and helpful in developing, maintaining, and furnishing covered services to Medicare beneficiaries by providers of services. In determining the allowability of these costs, the intermediary should consider the facts and circumstances of each provider situation as well as the amounts which would ordinarily be paid for comparable services by comparable institutions. To be allowable, such costs must be common and accepted occurrences in the field of the provider's activity.
  - 2l36.l Allowable Advertising Costs.--Advertising costs incurred in connection with the provider's public relations activities are allowable if the advertising is primarily concerned with the presentation of a good public image and directly or indirectly related to patient care. Examples are: visiting hours information, conduct of management-employee relations, etc. Costs connected with fund-raising are not included in this category (see § 2l36.2).
  - Costs of advertising for the purpose of recruiting medical, paramedical, administrative and clerical personnel are allowable if the personnel would be involved in patient care activities or in the development and maintenance of the facility.
  - Costs of advertising for procurement of items or services related to patient care, and for sale or disposition of surplus or scrap material are treated as adjustments of the purchase or selling price.
  - Costs of advertising incurred in connection with obtaining bids for construction or renovation of the provider's facilities should be included in the capitalized cost of the asset (see Chapter I, §l04.l0).

- Allowable Advertising Costs (continued)
  - Costs of advertising incurred in connection with bond issues for which the proceeds are designated for purposes related to patient care, i.e., construction of new facilities or improvements to existing facilities, should be included in "bond expenses" and prorated over the life of the bonds.
  - Costs of activities involving professional contacts with physicians, hospitals, public health agencies, nurses' associations, State and county medical societies, and similar groups and institutions, to apprise them of the availability of the provider's covered services are allowable. Such contacts make known what facilities are available to persons who require such information in providing for patient care, and serve other purposes related to patient care, e.g., exchange of medical information on patients in the provider's facility, administrative and medical policy, utilization review, etc. Similarly, reasonable production and distribution costs of informational materials to professional groups and associations, such as those listed above, are allowable if the materials primarily refer to the provider's operations or contain data on the number and types of patients served. Such materials should contribute to an understanding of the role and function of the facility as a provider of covered health care in the community.
  - Costs of informational listings of providers in a telephone directory, including the "yellow pages," or in a directory of similar facilities in a given area are allowable if the listings are consistent with practices that are common and accepted in the industry.
  - Costs of advertising for any purpose not specified above or not excluded below may be allowable if they are related to patient care and are reasonable.

- Allowable Advertising Costs (continued)
  - 2l36.2 Unallowable Advertising Costs –
  - Costs of fund-raising, including advertising, promotional, or publicity costs incurred for such a purpose, are not allowable.
  - Costs of advertising of a general nature designed to invite physicians to utilize a provider's facilities in their capacity as independent practitioners are not allowable. See section 2136.1 for allowability of professional contact costs and costs of advertising for the purpose of recruiting physicians as members of the provider's salaried staff.
  - Costs of advertising incurred in connection with the issuance of a provider's own stock, or the sale of stock held by the provider in another corporation, are considered as reductions in the proceeds from the sale and, therefore, are not allowable.
  - Costs of advertising to the general public which seeks to increase patient utilization of the provider's facilities are not allowable. Situations may occur where advertising which appears to be in the nature of the provider's public relations activity is, in fact, an effort to attract more patients. An analysis by the intermediary of the advertising copy and its distribution may then be necessary to determine the specific objective. While it is the policy of the Health Care Financing Administration and other Federal agencies to promote the growth and expansion of needed provider facilities, general advertising to promote an increase in the patient utilization of services is not properly related to the care of patients.

Common Expense Adjustment Mistakes

- Allowable Advertising Costs
- Offset of Miscellaneous Income without any related expense
- Offset of Non-professional CRNA costs
- Potentially avoidable offsets of Therapy expenses on A-8-3
  - Use of alternative travel option
- Marketing Departments, Community Development, etc.

Common Expense Opportunities

- Home office cost line assignment
- Where have you recorded collection expense?
- Reporting of Electronic Health Records Costs?
- Assignment of Security costs
  - One on one patient costs
    - Does your charge structure accommodate for these costs?

- Capital Costs
  - Depreciation Policy
    - Utilize full Medicare allowable capitalization limit
  - Componentization of Building Locations
    - Clinic Building Cost Per Sq Ft Versus Hospital Building Cost
  - Assignment of Building Lives
    - To most accurately report a building project costs should be capitalized in as much detail as possible
    - Generally more detailed cost segregation leads to shorter useful lives

- Cost Report Statistics
  - Statistics used for B-1 stats should be analyzed regularly to assure they reflect the most accurate and optimal structured cost step downs
  - Changes are required to be requested in writing to the intermediary 90 days prior to the end of cost report period
  - Time Studies
    - Be sure they meet Medicare's criteria
      - Once a month for a week, alternating weeks
    - Failure to comply could result in unnecessary removal or treatment of costs otherwise allowable costs as non-reimbursable
    - Time study must match expenses being allocated
    - If directly identifying in time using the payroll system, need to assess time studies to assure no duplication is occurring

- Componentizing of A&G Costs
  - Communications *(Telephones)*
  - Electronic Health Records *(EHR Users)*
  - Information Systems *(Computer Terminals or Users)*
  - Purchasing / Receiving *(Cost of Supplies)*
  - Admitting *(Gross Inpatient Charges)*
  - Cashiering / AR / Collections *(Gross Charges)*
  - Other Administrative and General (Accumulated Costs)
  - Simplified Method?

- Componentizing other statistic lines
  - Dietary
  - Housekeeping
  - Maintenance
  - Plant Operations
  - Building Cost Centers
  - Nursing Administration
    - Which costs to allocate and how?

- Cafeteria and Dietary
  - Meal counts
  - Staffing identification
  - Space considerations

- Other Considerations for Statistics
  - Measure Square Footage and look for opportunities
    - Develop a map with a numbering system
    - Grid showing primary use, square feet and Medicare line assignment
      - Allows for scenarios to test the most reimbursable use of space
      - Most reimbursable may not always equate to the best clinical use of space
    - Convert unused space into storage areas
    - Consider Handling of Off-site Buildings
      - Ambulance garages, Home Health, etc
    - **Emergency Room Drop Off or Ambulance Garage?**

Chargemaster Alignment

- Best Practice – Annual validation of chargemaster to Medicare cost report crosswalk
- Common misalignment issues
- Validation of resulting utilization

Alignment and Reconciliation of Days

- Validating days
- Swing Bed days
- Labor and Delivery Days
  - Also address square footage and costs for L&D and Nursery

Common Expense Adjustment Mistakes

- Physician Expenses
  - Compensation costs
    - ER Availability Expenses
    - Medical Director Expenses
    - Rural Health Clinic
    - Other Fee Reimbursed Services
  - Employee Benefits
    - Avoid over carve out using percentages
    - Provider Taxes are 100% allowable (FICA, WC, Unemployment)
      - See PRM 2122.3
  - Recruiting Expenses
    - Determine if compensation or not
    - If not compensation may be allowable if for your own providers

Impact of Non-Cost Based Departments on a CAH

Sample Hospital
Provider ID Number [redacted]
1/1/2021 - 12/31/2021

	Cost Center Description>>>>		NEW CAP COSTS-BLDG & FIXT	CAPITAL COSTS - SNF	CAPITAL COSTS - HOSP REMODEL	NEW CAP COSTS-MVBLE EQUIP	EMPLOYEE BENEFITS	INFORMATION TECHNOLOGY	BUSINESS OFFICE	ADMINISTRATIVE & GENERAL	MAINTENANCE	OPERATION OF PLANT	LAUNDRY & LINEN SERVICE	HOUSEKEEPING	DIETARY
	Statistic>>>>>>>>>>>>>>>		*Square feet*	*Square feet*	*Square feet*	*Dollar Value*	*Gross Salaries*	*# Computer Terminals*	*Gross Revenue*	*Accum. Cost*	*Square feet*	*Square feet*	*Pounds of Laundry*	*Square feet*	*Meals Served*
	Cost Center Line>>>>>>>>>		1	1.01	1.03	2	4	5.01	5.02	5.03	6	7	8	9	10
19	NONPHYSICIAN ANESTHETISTS	38,473	-	-	-	-	-	-	-	4,762	-	-	-	-	-
30	ADULTS & PEDIATRICS	1,070,532	38,845	-	-	21,248	132,727	91,941	52,606	174,275	29,355	30,931	5,386	58,663	30,722
44	SKILLED NURSING FACILITY	3,491,294	-	92,300	-	10,043	361,182	67,746	-	497,929	156,175	164,558	130,143	312,098	814,726
50	OPERATING ROOM	49,097	10,546	-	-	6,711	1,876	2,419	16,877	10,834	7,970	8,397	-	15,926	-
53	ANESTHESIOLOGY	4,770	-	-	-	-	-	-	9,795	1,803	-	-	-	-	-
54	RADIOLOGY-DIAGNOSTIC	584,020	12,847	-	-	11,409	37,140	9,678	120,957	96,063	9,709	10,230	1,234	19,402	-
60	LABORATORY	1,011,844	7,931	-	-	43,147	52,842	14,517	154,688	159,059	5,994	6,315	-	11,977	-

	Cost Center Description>>>>		NEW CAP COSTS-BLDG & FIXT	CAPITAL COSTS - SNF	CAPITAL COSTS - HOSP REMODEL	NEW CAP COSTS-MVBLE EQUIP	EMPLOYEE BENEFITS	INFORMATION TECHNOLOGY	BUSINESS OFFICE	ADMINISTRATIVE & GENERAL	MAINTENANCE	OPERATION OF PLANT	LAUNDRY & LINEN SERVICE	HOUSEKEEPING	DIETARY
	Statistic>>>>>>>>>>>>>>>		*Square feet*	*Square feet*	*Square feet*	*Dollar Value*	*Gross Salaries*	*# Computer Terminals*	*Gross Revenue*	*Accum. Cost*	*Square feet*	*Square feet*	*Pounds of Laundry*	*Square feet*	*Meals Served*
	Cost Center Line>>>>>>>>>		1	1.01	1.03	2	4	5.01	5.02	5.03	6	7	8	9	10
95	AMBULANCE SERVICES	154,129	13,269	-	-	12,884	21,266	2,419	27,777	28,686	10,027	-	3,224	-	-
101	HOME HEALTH AGENCY	242,532	-	2,524	-	-	34,032	7,258	-	35,445	4,271	4,500	139	8,534	-
113	INTEREST EXPENSE	-	-	-	-	-	-	-	-	-	-	-	-	-	-
192	PHYSICIANS' PRIVATE OFFICES	-	-	174	-	-	-	-	-	22	-	-	-	-	2,767
194	SCHOOL HEALTH PROGRAM	213,423	-	367	-	3,801	32,806	7,258	-	31,894	621	654	-	1,240	-
194.01	ASSISTED LIVING	294,560	-	-	-	1,765	28,984	9,678	-	41,466	41,367	-	-	-	80,914
194.02	RETAIL PHARMACY	1,030,729	4,290	-	-	21,796	35,708	14,517	-	137,034	3,242	3,416	-	6,478	-
194.03	FITNESS CENTER	-	-	-	-	-	-	-	-	-	-	-	-	-	-
194.04	JAIL	-	-	-	-	-	-	-	-	-	-	-	-	-	5,568

Discontinuing an Entire Service Line

- The previous tables show incremental reimbursement changes from a change in expenditures. But what happens if we discontinue a service line?

- Three considerations always need to be taken into account:
  - Direct Impact on Expenses
  - Direct Impact on Revenues
  - Impact on Cost Based Reimbursement

- Impact on other service line volumes, community, etc. should also not be left out of the decision making process

Direct Financial Performance

- Be careful when sharing fully allocated overhead cost analytics
  - Some overhead costs are direct costs (e.g. employee benefits), while others would not go away
  - Some would simply get reallocated to other departments and not represent a cut in costs

SKILLED NURSING FACILITY FULLY ALLOCATED PROFITABILITY ANALYSIS		
	ESTIMATED 2021	INCREMENTAL CHANGES?
TOTAL CHARGES	$4,864,545	$0
ESTIMATED DIRECT NET REVENUE	4,444,280	0
DIRECT EXPENSES	3,491,294	0
CONTRIBUTION MARGIN	952,986	0
CONTRIBUTION MARGIN %	21.4%	
OVERHEAD ALLOCATION		
NEW CAP COSTS-BLDG & FIXT	0	0
CAPITAL COSTS - SNF	92,300	0
CAPITAL COSTS - HOSP REMODEL	0	0
NEW CAP COSTS-MVBLE EQUIP	10,043	0
EMPLOYEE BENEFITS	361,182	0
INFORMATION TECHNOLOGY	67,746	0
BUSINESS OFFICE	0	0
ADMINISTRATIVE & GENERAL	497,929	0
MAINTENANCE	156,175	0
OPERATION OF PLANT	164,558	0
LAUNDRY & LINEN SERVICE	130,143	0
HOUSEKEEPING	312,098	0
DIETARY	814,726	0
CAFETERIA	132,734	0
NURSING ADMINISTRATION	0	0
MEDICAL RECORDS & LIBRARY	0	0
SOCIAL SERVICE	519,171	0
NONPHYSICIAN ANESTHETISTS	0	0
OVERHEAD EXPENSES	3,258,806	0
FULLY ALLOCATED MARGIN	($2,305,820)	$0
FULLY ALLOCATED MARGIN %	-51.9%	

Direct Financial Performance

- Considerations when reviewing current financial performance
  - If we are losing money, why?
  - Are volume reductions temporary?
  - Are staffing issues temporary or long term?
  - Are we running this as a hospital department or freestanding entity?
  - If we sold this service line, who would buy it and what would they change?

Incremental Change Example

SKILLED NURSING FACILITY FULLY ALLOCATED PROFITABILITY ANALYSIS		
	ESTIMATED 2021	INCREMENTAL CHANGES?
TOTAL CHARGES	$4,864,545	$0
ESTIMATED DIRECT NET REVENUE	4,444,280	(4,444,280)
DIRECT EXPENSES	3,491,294	(3,491,294)
CONTRIBUTION MARGIN	952,986	(952,986)
CONTRIBUTION MARGIN %	21.4%	21.4%
OVERHEAD ALLOCATION		
NEW CAP COSTS-BLDG & FIXT	0	0
CAPITAL COSTS - SNF	92,300	0
CAPITAL COSTS - HOSP REMODEL	0	0
NEW CAP COSTS-MVBLE EQUIP	10,043	0
EMPLOYEE BENEFITS	361,182	(361,182)
INFORMATION TECHNOLOGY	67,746	(5,000)
BUSINESS OFFICE	0	0
ADMINISTRATIVE & GENERAL	497,929	(50,000)
MAINTENANCE	156,175	(25,000)
OPERATION OF PLANT	164,558	(20,000)
LAUNDRY & LINEN SERVICE	130,143	(95,000)
HOUSEKEEPING	312,098	(156,049)
DIETARY	814,726	(651,781)
CAFETERIA	132,734	(10,000)
NURSING ADMINISTRATION	0	0
MEDICAL RECORDS & LIBRARY	0	0
SOCIAL SERVICE	519,171	(450,000)
NONPHYSICIAN ANESTHETISTS	0	0
OVERHEAD EXPENSES	3,258,806	(1,824,012)
FULLY ALLOCATED MARGIN	($2,305,820)	$871,026
FULLY ALLOCATED MARGIN %	-51.9%	-19.6%

Incremental Change Example

$1,000 TABLE					
Medicare Cost Center	Cost Center Description	Impact of Adding $1,000 of Cost To Cost Center	Cost Based Reimbursement Percentage	Expenses Added / (Removed)	Cost Based Reimbursement Impact
1.00	NEW CAP COSTS-BLDG & FIXT	$ 503	50.3%		-
1.01	CAPITAL COSTS - SNF	$ 61	6.1%		-
1.03	CAPITAL COSTS - HOSP REMODEL	$ -	0.0%		-
2.00	NEW CAP COSTS-MVBLE EQUIP	$ 347	34.7%		-
4.00	EMPLOYEE BENEFITS	$ 235	23.5%	$ (361,182)	(84,959)
5.01	INFORMATION TECHNOLOGY	$ 306	30.6%	$ (5,000)	(1,529)
5.02	BUSINESS OFFICE	$ 539	53.9%		-
5.03	ADMINISTRATIVE & GENERAL	$ 248	24.8%	$ (50,000)	(12,378)
6.00	MAINTENANCE	$ 171	17.1%	$ (25,000)	(4,277)
7.00	OPERATION OF PLANT	$ 202	20.2%	$ (20,000)	(4,043)
8.00	LAUNDRY & LINEN SERVICE	$ 19	1.9%	$ (95,000)	(1,843)
9.00	HOUSEKEEPING	$ 207	20.7%	$ (156,049)	(32,352)
10.00	DIETARY	$ 47	4.7%	$ (651,781)	(30,780)
11.00	CAFETERIA	$ 197	19.7%	$ (10,000)	(1,975)
13.00	NURSING ADMINISTRATION	$ 812	81.2%		-
16.00	MEDICAL RECORDS & LIBRARY	$ 441	44.1%		-
17.00	SOCIAL SERVICE	$ 0	0.0%	$ (450,000)	(180)
				(1,824,012)	(174,315)

While actual cuts would negatively impact reimbursement as shown above. Reshuffled costs generally would positively impact cost-based reimbursement.

Financial Impact and Analytics

- Dissolution of Non-Cost Based Areas
  - Sale
  - Lease Operations
  - Rent Space
  - Reuse Space for a different purpose
- If you sell the service or lease it out, what services would you still provide?
  - Housekeeping
  - Maintenance
  - Dietary
  - Other
- Segregate Through Home Office Set Up?

Financial Impact and Analytics

- Understand allocations and proactively avoid overallocations of costs

Sample Hospital
Provider ID Number 24-1399
1/1/2021 - 12/31/2021

	Cost Center Description>>>>		NEW CAP COSTS-BLDG & FIXT	CAPITAL COSTS - SNF	CAPITAL COSTS - HOSP REMODEL	NEW CAP COSTS-MVBLE EQUIP	EMPLOYEE BENEFITS	INFORMATION TECHNOLOGY	BUSINESS OFFICE	ADMINISTRATIVE & GENERAL	MAINTENANCE
	Statistic>>>>>>>>>>>>>>>		*Square feet*	*Square feet*	*Square feet*	*Dollar Value*	*Gross Salaries*	*# Computer Terminals*	*Gross Revenue*	*Accum. Cost*	*Square feet*
	Cost Center Line>>>>>>>>>	W/S A Total Expense	1	1.01	1.03	2.00	4.00	5.01	5.02	5.03	6.00
B,I Stepdown of General Service Costs											
44	SKILLED NURSING FACILITY	3,491,294	-	92,300	-	10,043	361,182	67,746	-	497,929	156,175
88	RHC #1	1,232,084	25,565	-	-	-	155,777	55,648	68,151	190,284	19,320
88.02	RHC #2	460,416	-	-	-	-	57,514	45,970	23,768	72,744	-
95	AMBULANCE SERVICES	154,129	13,269	-	-	12,884	21,266	2,419	27,777	28,686	10,027
101	HOME HEALTH AGENCY	242,532	-	2,524	-	-	34,032	7,258	-	35,445	4,271
194	SCHOOL HEALTH PROGRAM	213,423	-	367	-	3,801	32,806	7,258	-	31,894	621
194.01	ASSISTED LIVING	294,560	-	-	-	1,765	28,984	9,678	-	41,466	41,367
194.02	RETAIL PHARMACY	1,030,729	4,290	-	-	21,796	35,708	14,517	-	137,034	3,242
	TOTAL	18,825,916	174,720	172,352	-	222,515	1,523,336	469,383	577,333	2,073,661	367,705
	Total Cost to Allocate		174,720	172,352	-	222,515	1,523,336	469,383	577,333	2,073,661	367,705
	Total Statistic		16,170	35,714	-	168,763	8,080,818	194	14,296,670	16,752,254	45,031
	Unit Cost Multiplier		10.8052	4.8259	-	1.3185	0.1885	2,419.4995	0.0404	0.1238	8.1656

Financial Impact and Analytics

- Understand allocations and proactively avoid overallocations of costs

Sample Hospital
Provider ID Number 24-1399
1/1/2021 - 12/31/2021

	Cost Center Description>>>>		OPERATION OF PLANT	LAUNDRY & LINEN SERVICE	HOUSEKEEPING	DIETARY	CAFETERIA	NURSING ADMINISTRATION	MEDICAL RECORDS & LIBRARY	SOCIAL SERVICE	NONPHYSICIAN ANESTHETISTS
	Statistic>>>>>>>>>>>>>>>		*Square feet*	*Pounds of Laundry*	*Square feet*	*Meals Served*	*FTE's*	*FTE's*	*Time Study*	*Patient Days*	*Assigned Time*
	Cost Center Line>>>>>>>>>		7	8	9	10	11	13	16	17	19
		W/S A Total Expense	7.00	8.00	9.00	10.00	11.00	13.00	16.00	17.00	19.00
B,I Stepdown of General Service Costs											
44	SKILLED NURSING FACILITY	3,491,294	164,558	130,143	312,098	814,726	132,734	-	-	519,171	-
88	RHC #1	1,232,084	20,357	103	38,608	-	30,047	-	51,175	-	-
88.02	RHC #2	460,416	-	127	-	-	-	-	16,662	-	-
95	AMBULANCE SERVICES	154,129	-	3,224	-	-	-	-	-	-	-
101	HOME HEALTH AGENCY	242,532	4,500	139	8,534	-	2,679	-	-	-	-
194	SCHOOL HEALTH PROGRAM	213,423	654	-	1,240	-	7,456	-	-	-	-
194.01	ASSISTED LIVING	294,560	-	-	-	80,914	12,724	-	-	-	-
194.02	RETAIL PHARMACY	1,030,729	3,416	-	6,478	-	7,456	-	-	-	-
	TOTAL	18,825,916	333,289	149,485	601,498	1,250,036	315,339	179,977	177,724	537,347	43,235
	Total Cost to Allocate		333,289	149,485	601,498	1,250,036	315,339	179,977	177,724	537,347	43,235
	Total Statistic		38,737	37,554	36,861	74,989	7,063	1,081	11,200	16,703	100
	Unit Cost Multiplier		8.6039	3.9805	16.3180	16.6696	44.6466	166.4912	15.8682	32.1707	432.3534

Financial Impact and Analytics

- If there are large CAH impacts, have you done your due diligence to minimize them?
  - Annual reassessment needed
  - B-1 stat change examples
    - Electronic Health Records Costs
    - IT software costs
    - Biomedical Equipment Costs
    - Building componetization
    - Others
  - Avoid duplicate cost allocations
  - Are you already optimizing the handling of your Medicaid Surcharge and MN Care Tax handling?
- Focus on cost centers that are non-cost or low cost based
  - RHCs cost per visit limits can now have an impact

Other Financial and Reimbursement Considerations

- Handling of cost centers such as dietary?
- How will this change impact Home Office costs that may be allocated to your facility?
- Swing Bed Impact
- It's not an easy answer or analysis
  - Longer term considerations
  - Dashboard approach is helpful
  - All facilities and communities are unique.

What is right for your community?

- Other Skilled Nursing Facility Options
- Assisted Living or Senior Care Options
- Could service lines such as Home Health be run by a network parent or other organization?
- Would Rural Emergency Hospital Status make sense?

Protecting Your Cost Reimbursement From Medicare Audits

- Plan
- Document
- Support
- Review Annually
- Repeat

"If you don't ask for it, you won't get it, but if you don't support it, you won't keep it"

Protecting Your Cost Reimbursement From Medicare Audits

- Most common audit focus areas
  - Emergency Room Coverage
  - Medicare Bad Debts

- Common risks for the above

Other Recent Changes to Consider

- Rural Health Clinic Cost Per Visit Limits
  - Year used to set rate
  - Productivity exceptions
  - Cost identification – direct and overhead
  - Going forward considerations

Other Recent Changes to Consider

- Primary and Secondary Road Definition change for CAHs
  - Is more than a 35-mile drive on primary roads from any other CAH or hospital (or, in the case of mountainous terrain or in areas with only secondary roads available, a 15-mile drive) if a state didn't designate a CAH as a necessary provider before January 1, 2006. A primary road of travel for determining the driving distance of a CAH and its proximity to other providers is a numbered federal highway, including interstates, intrastates, expressways, or any other numbered federal or state highways with 2 or more lanes each way.
  - Numerous small PPS facilities in process of converting
  - Impact on off campus departments to a CAH

Questions?

Thank You!!!

Contact Info

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