Understanding the New Hospice Cost Report
CMS Form 1984-14

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Objectives

- Review the new forms for the Hospice Medicare Cost Report
- Identify changes in data elements for proper completion of the cost report
- Outline the steps that need to be taken now to prepare for the new cost report forms
- Identify problem areas and changes needed for Year 2

The New Hospice Medicare Cost Report (CMS Form 1984-14)
Overview

• Currently there is no reimbursement settlement on the Hospice Medicare Cost Report
• The ACA mandates that CMS collect appropriate data and information for Hospice payment reform
• Objective is to collect better data to ensure that hospice payments are appropriate
• MedPAC using cost report information for future payment rate recommendations

Overview

• CMS issued several proposals and a final form and instructions was issued on August 22, 2014
• Transmittal 1, Provider Reimbursement Manual 15-2, Chapter 43 issued August 2014
• Transmittal 2, Provider Reimbursement Manual 15-2, Chapter 43 issued July 31, 2015
• Effective for cost reporting periods beginning on / after October 1, 2014. (12/31/2015 files by 5/31/2016)
• Currently just applies to freestanding Hospice’s but provider based Hospice’s will follow – effective CR periods beg 10/1/2015
  – Worksheet “O” Series
Overview

• Substantial changes in cost reporting
• New overhead, direct care and non reimbursable cost centers
• Direct care costs must be reported based on the four levels of care (reclassifications will be necessary) – major problem
  – Continuous Home Care
  – Routine Home Care
  – Inpatient Respite Care
  – General Inpatient Care
    • Nurse goes to SNF – RHC, IRC, GIP -- what happens?
• CMS Form 339 Eliminated – Worksheet S-2
• Accrual Basis of Accounting

Cost Report Worksheets

• Worksheet S Certification page
• Worksheet S-1 Identification Information
• Worksheet S-2 Reimbursement Questionnaire
• Worksheet A Trial Balance of Expenses
• Worksheet A-1 Continuous Home Care
• Worksheet A-2 Routine Home Care
• Worksheet A-3 Inpatient Respite Care
• Worksheet A-4 General Inpatient Care
Cost Report Worksheets

- Worksheet A-6: Reclassification of Expenses
- Worksheet A-8: Adjustments to Expenses
- Worksheet A-8-1: Related Party & Home Office
- Worksheet B: Cost Allocation (Step-down)
- Worksheet B-1: Cost Allocation Statistics
- Worksheet C: Cost per Diem Calculation
- Worksheet F: Balance Sheet
- Worksheet F-1: Changes in Fund Balance
- Worksheet F-2: Income Statement

Worksheet S – Certification Page

- Certification Statement
- Signature of Officer or Administrator
- Sign in Blue Ink
- Cost Reports are subject to False Claims Act
Worksheet – S-1 Identification Information

• Identification Information (Part I)
  – Name
  – Address
  – Medicare Certification Number - CCN
  – Date Hospice Began
  – Certification Date
  – Cost Reporting Period
  – Malpractice Insurance Information
  – Home Office Information
  – CBSA’s served – list CBSA numbers only (Not on the PS&R report)

Worksheet – S-1 Identification Information

• Statistical Data (Part II)
  – Unduplicated Days Statistics
    • Separately identify Medicare, Medicaid and Other
      – Continuous Home Care
      – Routine Home Care
      – Inpatient Respite Care
      – General Inpatient Care
    • Note: Medicare days should be based on billing records and not the PS&R otherwise total days would be understated for any outstanding AR.
    • Dual eligible days (Medicare & Medicaid) reported as Medicare
Worksheet – S-1 Identification Information

• Statistical Data (Part III)
  – Unduplicated Days Statistics - Contracted
    • Contracted from hospitals and nursing facilities
    • The days reported in Part III are a subset of Part II
    • Separately identify Medicare, Medicaid and Other
      – Inpatient Respite Care
      – General Inpatient Care
  – Note: Number of patients and unduplicated census count are no longer reported on the cost report. This would be used to compute average length of stay. This statistic is valuable for benchmarking purposes

Worksheet S-2 – Reimbursement Questionnaire

• Informational worksheet – formerly CMS Form 339
• Provider Organization and Operation
  – Change in ownership
  – Terminated
• Financial Data and Reports – Date Available
  – Financial statements – Audited, Reviewed or Compiled
  – Reconciliation of expenses from financial statement to cost report
• PS&R Report Data – generally line 11 (provider records only)
• Cost Report Preparer Contact Information - NEW
Worksheet A – Trial Balance of Expenses

- General Service Cost Centers (Overhead) – lines 1 to 16
- Direct Patient Care Service Cost Centers – lines 25 to 46
- Non Reimbursable Cost Centers – lines 60 to 71
- All cost centers are reported as Salary (column 1) and Other (column 2) – segregated on trial balance
- *Looks like a “Hospital” Cost Report*
- Significant expansion in the number and types of cost centers
- Careful understanding of the types of expenses in each cost center
- Financial Statement chart of accounts will need to be significantly modified
- Costs must be reported on lines 3, 4, 5, 13, 14, 28, 37, 38, and 41 or this will generate a Level II error – can still submit with a Level II
Worksheet A – Trial Balance of Expenses

• General Service Cost Centers
  – Employee Benefits (Line 3) - NEW
    • Employee Benefits Department (Human Resources)
    • Fringe Benefits and Payroll Taxes
    • Insurance – Health, life, workers comp, unemployment
    • Not necessary to track benefits and payroll taxes by cost center on the trial balance. Will be allocated on Worksheet B-1.

• General Service Cost Centers
  – Administrative & General (Line 4)
    • Wide variety of administrative costs that benefit the entire facility
    • Fiscal, legal, accounting, data processing, taxes, malpractice, marketing and advertising (allowable portion)
    • Non allowable marketing and advertising are now separately reported in a non reimbursable cost center (line 67)
    • Parallel cost structure for non reimbursable administrative costs (fatal flaw)
    • May have multiple administrative cost centers – subscript 4.01, etc.
    • All administrative costs should be included in the same cost center and allocated to both direct and non reimbursable to avoid double allocation to non reimbursable
Worksheet A – Trial Balance of Expenses

- General Service Cost Centers
  - Plant Operation & Maintenance (Line 5)
    - Utilities
    - Building and equipment repairs
    - Maintenance
  - Laundry & Linen Service (Line 6) - NEW
    - Cost of routine laundry and linen services whether performed in-house or by outside contractors
    - Commonly inpatient facility or residence

- Housekeeping (Line 7) - NEW
  - Cost of routine housekeeping activities such as mopping, vacuuming, cleaning restrooms, lobbies, waiting areas and otherwise maintaining patient and non patient care areas
  - Commonly inpatient facility or residence

- Dietary (Line 8) - NEW
  - Cost of preparing meals for patients (inc food)
  - Does not include dietary counseling (line 35)
  - Inpatient facilities
Worksheet A – Trial Balance of Expenses

• General Service Cost Centers
  – Nursing Administration (Line 9) – NEW (Patient Care)
    • Overall clinical management and direction of the nursing, therapy and other patient care services
    • Team Leaders, case managers, etc.
    • Does not include nursing cost for direct patient care (lines 25 to 45)
    • Split personnel
      – Direct time records, time studies, exception reporting
  – Routine Medical Supplies (Line 10) - NEW
    • Includes cost of supplies used in the normal course of caring for patients
    • Not traceable to individual patients
    • Excludes cost of non routine medical supplies (line 42)

• General Service Cost Centers
  – Medical Records (Line 11) - NEW
    • Costs of separately identifiable Medical Records department where patient medical records are maintained
    • Not general library or medical library
    • If not separate, cost would be in Admin & General
Worksheet A – Trial Balance of Expenses

- General Service Cost Centers
  - Staff Transportation (Line 12) - NEW
    - Includes cost of owning or renting vehicles, public transportation, parking, tolls, and mileage reimbursement to employees
    - Mileage reimbursement was previously reported on Worksheet A, column 3 by cost center
    - Does not include patient transportation (line 39)
  - Volunteer Service Coordination (Line 13)
    - Overall coordination and management of volunteers including recruitment and training of volunteers

- Pharmacy (Line 14) - NEW
  - Includes cost of drugs (both prescription and OTC), pharmacy supplies, pharmacy personnel and pharmacy services.
  - Excludes cost of palliative chemotherapy drugs (line 45)
  - Do not have to separate cost for:
    - Analgesics
    - Sedatives / Hypnotics
    - Other
Worksheet A – Trial Balance of Expenses

• General Service Cost Centers
  – Physician Administrative Services (Line 15) - NEW
    • Cost for physicians administrative and general supervisory activities that are included in the hospice payment rates
    • Establishment, review and update plans of care, supervising care and services
    • Conducting face to face encounters for recertification
    • Establishing governing policies
    • Generally performed by Medical Director

Worksheet A – Trial Balance of Expenses

• General Service Cost Centers
  – Patient / Residential Care Services (Line 17) - NEW
    • No entry is made on Worksheet A for this cost center
    • Used on Worksheet B to accumulate in-facility costs not separately identified as IRC, GIP, or residential care services not part of a separate and distinct residential care unit
    • Does not include any costs related to contracted inpatient services
    • If residential care unit is separate and distinct and only used for resident care services, costs are reported on line 66

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Worksheet A – Trial Balance of Expenses

- Direct Patient Care Service Cost Centers (Lines 25 to 46)
  - Separately reported on Worksheets A-1 to A-4
  - Costs will flow from Worksheets A-1 through A-4 back to Worksheet A, column 1 and 2
  - Costs must be segregated by level of care for all cost centers
    - Continuous Home Care (Worksheet A-1)
    - Routine Home Care (Worksheet A-2)
    - Inpatient Respite Care (Worksheet A-3)
    - General Inpatient Care (Worksheet A-4)
      - If not separate, must reclass on Worksheet A-6
  - Majority of Hospices are not segregating costs by LOC on their financial statements – allocations will be necessary

Cost Report Challenges

- Direct Care Costs
  - Costs is to be entered based on level of care to W/S A-1 to W/S A-4. Time records / statistics will be needed to allocate salaries and wages for those personnel that cross over to the different levels of care (reported on Worksheet A-6)
  - Home visiting costs – A-1 and A-2
  - Inpatient costs – A-3 and A-4
  - Any reclasses of salaries will impact the allocation of Employee Benefits cost
  - The same principle applies to contract services and other direct costs (mileage, etc.)
Worksheet A – Trial Balance of Expenses

• Direct Patient Care Service Cost Centers
  – Inpatient Care – Contracted (Line 25) – Worksheet A-3 or A-4
    • Contracted costs paid to another facility (Hospital, SNF or Hospice) for hospice inpatient care (IRC or GIP)
    • Does not include cost of any direct patient care services or non reimbursable services provided by hospice staff in the contracted setting
    • These costs are included in the appropriate direct patient care service or non reimbursable cost center
    • Allocate based on visits, days, or time
    • If days on Worksheet S-1, must have cost (Level I edit error)

• Physician Services (Line 26)
  • Includes cost incurred for physicians or NP’s providing physician services, direct patient care and general supervisory services, participation in establishment of POC’s
  • Reclass general administrative time to line 15
  • Medical Directors in general would be in overhead
  • Medical Directors and physicians in inpatient units (Worksheet A-4)
  • Excludes palliative care and other non reimbursable services

• Nurse Practitioner (Line 27)
  • Includes cost of nursing care provided by NP’s
  • Report cost of NP’s providing physician services on line 26
Worksheet A – Trial Balance of Expenses

• Direct Patient Care Service Cost Centers
  – Registered Nurses (Line 28)
    • Includes cost of nursing care provided by registered nurses other than nurse practitioners
    • Allocate to LOC by visits, days, time
  – LPN / LVN (Line 29)
    • Includes cost of nursing care provided by LPN’s or LVN’s
    • Excludes costs for certified nursing assistants (CNA’s – line 37)
  – Physical Therapy (Line 30)
  – Occupational Therapy (Line 31)
  – Speech Therapy (Line 32)

• Medical Social Service (Line 33)
• Spiritual Counseling (Line 34)
• Dietary Counseling (Line 35)
• Counseling – Other (Line 36)
  • Includes cost of counseling not already identified as spiritual, dietary or bereavement or other non reimbursable services
Worksheet A – Trial Balance of Expenses

• Direct Patient Care Service Cost Centers
  – Hospice Aide and Homemaker Services (Line 37)
    • Hospice aide services such as personal care and household services to maintain a safe and sanitary environment in the home
    • Homemaker services in the maintenance of a safe and healthy environment to carry out the plan of care
    • Include cost for CNA’s that meet this criteria

Worksheet A – Trial Balance of Expenses

• Direct Patient Care Service Cost Centers
  – Durable Medical Equipment / Oxygen (Line 38)
    • Costs of DME and Oxygen furnished to RHC or CHC patients
    • Report DME costs by the LOC the patient was receiving at the time the DME / oxygen was delivered
    • If the LOC of a patient changed after delivery of the DME / Oxygen, the hospice may report the costs proportionally between RHC and CHC based on patient days
    • Track by in home versus in facility costs
    • Cannot report on Worksheets A-3 – IRC or A-4 - GIP
• Direct Patient Care Service Cost Centers
  – Patient Transportation (Line 39)
    • Cost of ambulance transports of hospice patients, related to the terminal
      prognosis and occurring after the effective date of hospice election
    • When a patient is transferred to a new LOC, report the transportation cost
      to that LOC
    • Example – patient in a GIP LOC is transferred to RHC LOC and transported
      to their home, the transportation cost associated with the transfer must be
      included in the RHC LOC
  – Imaging Services (Line 40)
  – Labs and Diagnostics (Line 41)

• Direct Patient Care Service Cost Centers
  – Medical Supplies – Non-routine (Line 42)
    • Costs of medical supplies furnished to individual patients for which a
      separate charge would be applicable (no list from CMS)
    • These supplies are specified in the patient’s POC and furnished under the
      specific direction of the patient’s physician
  – Outpatient Services (Line 43)
    • Cost of outpatient services not captured elsewhere
    • Can include cost of emergency room department visit when related to the
      terminal condition
  – Palliative Radiation Therapy (Line 44)
  – Palliative Chemotherapy (Line 45)
Worksheet A – Trial Balance of Expenses

• Non Reimbursable Cost Centers
  – Bereavement Program (Line 60)
    • Report costs associated with bereavement services
    • Includes costs to assist with grief, loss and adjustment before and after death
  – Volunteer Program (Line 61)
    • Costs of volunteer program – what should be here?
    • Recruitment, training and coordination costs are on line 13
  – Fundraising (Line 62)
    • Costs of fundraising and fundraising activities
    • Should be reported at gross expense (do not net revenues against expense)
    • Hospice managed Foundations – non reimbursable cost center, if shared

Worksheet A – Trial Balance of Expenses

• Non Reimbursable Cost Centers
  – Hospice / Palliative Medicine Fellows (Line 63)
    • Costs of Hospice / Palliative Medicine Fellows
  – Palliative Care Program (Line 64)
    • Costs of palliative care provided to non-Hospice patients
    • Includes physician services
  – Other Physician Services (Line 65)
    • Costs of other physician services that are provided outside of a palliative care program to non-hospice patients
Worksheet A – Trial Balance of Expenses

• Non Reimbursable Cost Centers
  – Residential Care (Line 66)
    • Costs for residential care for patients living in the Hospice but are not receiving inpatient hospice services
    • Patients are considered residents where the hospice is their home
    • Patients are liable for room and board charges
    • Outpatient hospice services are recorded in the direct care cost center in either the RHC and / or CHC LOC Worksheet

Worksheet A – Trial Balance of Expenses

• Non Reimbursable Cost Centers
  – Advertising (Line 67)
    • Includes costs of nonallowable community education, business development, marketing and advertising costs (need to analyze)
    • Includes salaries and wages – non allowable portion
    • Allowable portion reported in Admin & General

  – Telehealth / Telemonitoring (Line 68)
    • Salaries, other direct and depreciation expense should be reported here.
Worksheet A – Trial Balance of Expenses

• Non Reimbursable Cost Centers
  – Thrift Store (Line 69)
    • All costs associated with operating Thrift Store
  – Nursing Facility Room and Board (Line 70)
    • Costs incurred for a dual eligible beneficiary residing in a nursing facility (NF) when the room and board is paid by the State to the Hospice
    • The full amount paid to the NF by the hospice must be included on this line (gross expense)
    • State payment (revenue) is offset on Worksheet A-8

Worksheet A

• Worksheet A
  – Column 1 Salaries
  – Column 2 Other
  – Column 3 Total – reconcile to financial statements (line 100)
  – Column 4 Reclassifications (W/S A-6)
  – Column 5 Subtotal
  – Column 6 Adjustments (W/S A-8)
  – Column 7 Total
Worksheet A-6

- Worksheet A-6 Reclassifications
  - Reclass costs between cost centers and level of care
  - Some reclasses may be done on the financial statements
  - Reclasses must be split between salary and other costs
  - Level of Care indicator in column 8 – must report increases and decreases on separate lines
  - Flows to Worksheet A, column 4

Worksheet A-8

- Worksheet A-8 Adjustments
  - Used to offset non allowable expenses or applicable income amounts
  - Common adjustments
    - Depreciation expense to straight line
    - Interest income to the extent of interest expense (unless Funded Depreciation)
    - Rebates and refunds
    - Patient personal expenses
    - Patient telephone expense
    - Patient personal laundry
Worksheet A-8

- Worksheet A-8 Adjustments
  - Common adjustments (con't)
    - Cost of guest meals
    - Bad debt expense
    - Lobbying costs (included in dues)
    - Interest expense on CAP Repayments
    - Income Taxes
    - Investor / owner expenses
    - Donations / contributions
    - Imputed costs for Volunteers

Worksheet A-8-1

- Worksheet A-8-1 Related Party and Home Office
  - Services obtained from organizations that are related through common ownership or control
  - Report all related party and home office transactions
  - Convert “amount charged” to “amount allowable”
  - Amount allowable is the cost incurred by the related entity
  - Net Adjustment flows to Worksheet A-8, line 3
**Worksheet A-8-1**

- **Worksheet A-8-1 Related Party and Home Office**
  - Report transaction even if qualifying for Section 1010 exception
    - Typically purchased externally
    - Bonafide separate organization
    - Consistent fair market value price
    - Hospice is immaterial portion of the business of related entity

**Worksheet B and B-1**

- **Worksheet B and B-1**
  - Step-down of overhead costs
  - Worksheet B represents costs and Worksheet B-1 represents the statistics used to allocate cost
  - Costs from overhead cost centers (lines 1 to 16) are allocated to all applicable cost centers below line 16 using various statistics
  - Costs are carried to Worksheet B, column 0 from Worksheet A, column 7 except for the four LOC totals
  - The total costs from Worksheets A-1 to A-4 are carried over in total to Worksheet B, lines 50 to 53, column 0
Worksheet B-1

• Worksheet B-1 Statistics
  – CMS has a recommended statistical basis of allocation
  – Existing cost centers “should” carry over from current method
  – New cost centers should use the CMS recommended basis
  – Hospice can request change in allocation basis with approval by MAC
  – Hospice must submit request no later than 90 days before the end of the cost reporting period to which the change will apply
    • Change in allocation basis
    • Change in sequence of allocation of cost centers

Cost Center                     Statistical Basis
  – Capital Costs – Bldg          Square footage
  – Capital Costs – Equipment     “Dollar Value”
    • Some Hospice’s may use square footage
  – Employee Benefits             Gross Salaries
  – Administrative & General      Accumulated Costs (automatic)
  – Plant Operation & Maintenance  Square footage
  – Laundry & Linen               In-Facility Days

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Worksheet B-1

- **Worksheet B-1 Statistics**

<table>
<thead>
<tr>
<th>Cost Center</th>
<th>Statistical Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Housekeeping</td>
<td>Square footage</td>
</tr>
<tr>
<td>Dietary</td>
<td>In-Facility Days</td>
</tr>
<tr>
<td>Nursing Administration</td>
<td>Direct Nursing Hours</td>
</tr>
<tr>
<td>Routine Medical Supplies</td>
<td>Patient Days</td>
</tr>
<tr>
<td>Medical Records</td>
<td>Patient Days</td>
</tr>
<tr>
<td>Staff Transportation</td>
<td>Mileage</td>
</tr>
<tr>
<td>Volunteer Service Coordination</td>
<td>Hours of Service</td>
</tr>
</tbody>
</table>

- **Worksheet B-1 Statistics**

<table>
<thead>
<tr>
<th>Cost Center</th>
<th>Statistical Basis</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pharmacy</td>
<td>Charges</td>
</tr>
<tr>
<td>Physician Administrative Services</td>
<td>Patient Days</td>
</tr>
<tr>
<td>Patient / Residential Care Services</td>
<td>In-Facility Days</td>
</tr>
</tbody>
</table>
Worksheet B-1

• Worksheet B-1 Statistics Challenges
  – Capital Costs – Building (Square Footage)
    • Now is a good time to review and update square footage records
    • Common Space
    • Floor plans
    • Step-down does not allow for costs to be allocated to:
      – Direct care staff by level of care
      – Routine or Continuous Home Care
      – Alternative method - allocate on Worksheet A-6

Worksheet B-1

• Worksheet B-1 Statistics Challenges
  – Capital Costs – Equipment (Dollar Value)
    • Dollar Value versus square footage – change in basis – what is $ Value
    • Should Hospice consider a change in allocation basis to square footage?
    • Update: CMS allows square footage for older Hospice’s
    • Step-down does not allow for costs to be allocated to:
      – Direct care staff by level of care
      – Routine or Continuous Home Care
      – Alternative method - allocate on Worksheet A-6
Worksheet B-1

• Worksheet B-1 Statistics Challenges
  – Employee Benefits (Gross Salaries)
    • Gross Salaries by cost center
    • Takes into account Worksheet A-6 reclassifications
    • Importance of salaries by LOC
  – Admin & General (Accumulated Costs)
    • Accumulated costs
    • Direct cost plus allocation of overhead from above
    • Cost report generates the statistic
    • Worksheet B, Column 3A

• Worksheet B-1 Statistics Challenges
  – Plant Operation & Maintenance (Square Footage)
    • Step-down does not allow for costs to be allocated to:
      – Administrative & General
      – Direct care staff by level of care
      – Routine or Continuous Home Care
      – Alternative method - allocate on Worksheet A-6
  – Laundry (Infacility Days)
    • Hospice operated facility days (not contract)
    • Inpatient Respite Care
    • General Inpatient Care
    • Residential Facility
Worksheet B-1

• Worksheet B-1 Statistics Challenges
  – Housekeeping (Square Footage)
    • Be careful to allocate to applicable facilities only - inpatient
    • Step-down does not allow for costs to be allocated to:
      – Administrative & General
      – Direct care staff by level of care
      – Routine or Continuous Home Care
      – Alternative method - allocate on Worksheet A-6
  – Dietary (In facility days)
    • Inpatient Respite Care
    • General Inpatient Care
    • Residential Facility

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Worksheet B-1

• Worksheet B-1 Statistics Challenges
  – Nursing Administration (Nursing Hours)
    • Allocate to applicable patient care staff that are supervised
    • Need to keep track of hours when paying field staff by the visit
    • Employees and outside contractors
    • Convert hours from wages – using average hourly wage
  – Routine Medical Supplies (Patient Days)
    • Are there any non reimbursable activities involved?

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Worksheet B-1

• Worksheet B-1 Statistics Challenges
  – Medical Records (Patient Days)
    • Are there any non reimbursable activities involved?
  – Staff Transportation (Number of Miles)
    • Step-down does not allow for costs to be allocated to:
      – Administrative & General
      – Nursing Administration
      – Direct care staff by level of care
    • Alternative method - mileage reimbursement reclass on Worksheet A-6

Worksheet B-1

• Worksheet B-1 Statistics Challenges
  – Volunteer Service Coordination (Volunteer Hours)
    • Step-down does not allow for costs to be allocated to:
      – Administrative & General – potential significant problem
      – Over allocation to NRCC’s
      – Direct care staff by level of care
    – Alternative method - allocate on Worksheet A-6
    – Non Reimbursable time - fundraising
Worksheet B-1

• Worksheet B-1 Statistics Challenges
  – Pharmacy (Charges by LOC)
    • Step-down does not allow for costs to be allocated to:
      – Direct care staff by level of care
      – Alternative method - allocate on Worksheet A-6
      – Alternate statistic – patient days (cost per patient day from vendor)
      – Do you have standard charges by LOC?

• Physician Administrative Services (Patient Days)
  • Are there any non reimbursable activities involved?

• Patient Residential Services (In Facility Days)
  • Segregate costs by facility
  • In lieu of directly reporting hospice facility costs on lines 50 to 53, all costs can be accumulated on line 17 and then allocated on patient days. Excludes costs from A-1 to A-4, only allocated costs.
Cost Report Challenges

- **Square footage**
  - Capital Costs Building is allocated before Administrative & General
  - Plant Operation and Maintenance and Housekeeping are allocated after Administrative & General
  - Not all square footage should be Administrative & General (Nursing Admin, Volunteer SC, non reimbursable activities)
  - In the past, Capital Costs Equipment was allocated on the basis of square footage. The new form says dollar value. Square footage allowed for older Hospices. (not in instruction manual)
  - Cannot allocate costs based on square footage to the individual cost centers within the Direct Care category, only to the level of care in the aggregate

Cost Report Challenges

- **Overhead Cost Allocation**
  - **Capital Related Costs - MME**
    - Consider requesting change in allocation basis from Dollar Value to Square Footage
  - **Plant Operation & Maintenance / Housekeeping**
    - Consider requesting change in sequence of allocation to before Admin
    - Reclass a portion of costs on Worksheet A-6 to Administration & General
Cost Report Challenges

• Overhead Cost Allocation
  – Volunteer Service Coordination
    • Consider requesting change in sequence of allocation to before Admin
    • Reclass a portion of costs on Worksheet A-6 to Administration & General
  – Pharmacy
    • Consider requesting change in basis – charges versus patient days

Requests must be submitted to MAC no later than 90 days prior to end of cost reporting period.

Worksheet C

• Worksheet C
  – Computes the average cost per diem by level of care and in total
  – Separate per diem for each LOC – different than before
  – Computes total cost by LOC for Medicare and Medicaid

• Note for Medicare Settlement Data
  – There is no reconciliation of Medicare cost to Medicare payments on the cost report
  – Medicare payments (PS&R report) are not reported on the cost report
Worksheets F and F-1

• Worksheet F – Balance Sheet
  – Represents the assets, liabilities and equity / fund balance of the Hospice
  – Accrual Basis of Accounting
  – Accounts Receivable and Accounts Payable should be reported

• Worksheet F-1 – Statement of Changes in Fund Balance
  – Provides for reconciliation of beginning fund balance plus / minus net income / loss and any direct changes to fund balance
  – Prior period adjustments – should not have
  – Shareholder contributions / distributions

Worksheet F-2

• Worksheet F-2 Income Statement
  – Part I Revenue
    • Gross patient revenue must be reported by LOC and separate for Medicare, Medicaid and Other patients
    • Revenue should be recorded at gross billed charges and the contractual adjustment should be separately recorded on line 7
    • Most Hospices not tracking revenues in sufficient detail on statements
    • Drug copay / coinsurance
    • Contractual allowances and discounts (Medicare, Medicaid and Other patients)
    • Other Revenue – hospice physician services, room and board, contributions, interest income, miscellaneous income, etc. – reported as “Other”
Worksheet F-2

- Worksheet F-2 Income Statement
  - Part II Operating Expenses
    - Total will automatically flow from Worksheet A, column 3, line 100
    - This worksheet will include any expenses not on Worksheet A that are needed to reconcile to total expenses on the financial statements
  - Net Income must agree to financial statements

What to do now?
What To Do Now

• The cost report will be used to determine future payment rates regardless of whether payments are increased at the onset and/or end of care
• The cost report will reflect profit and losses on services to Medicare patients and other factors which will get reported through MedPAC and other governing bodies
• Identify areas where changes are needed in recordkeeping and statistics
• Revise the financial statement chart of accounts so as to capture all of the new revenue and expense information for the new cost report
• Develop systems and processes to capture the new statistics required for the cost report

What To Do Now

• Make sure all staff are aware of all of the new statistical data that is required. This especially applies to direct care staff for time keeping purposes for payroll for proper direct costing to the LOC
• Accounts Payable staff should be educated to properly assign costs/invoices to the cost account on the trial balance
• Develop payroll processes to properly track and record the salaries and wages in the correct accounts. This is especially true for Direct Care staff that cross over cost centers or LOC
What To Do Now

• PS&R Report – are you registered in EIDM?
  – CMS made major changes in annual certification for registered users effective March 15, 2016
  – All users now recertify effective March 15 annually instead of user specific
  – Only the Security Official receives email notification
  – If user not recertified by March 15, 2016, they were dropped
  – Not necessarily needed for completion of the cost report but definitely needed for the Hospice CAP Report
  – Highly recommend a Backup Security Official – what happens when the SO is gone?

What To Do Now

• EIDM
  – New log in screens
  – User Support 1-866-484-8049 Ext. 2

• Log in to EIDM - Registration
  http://portal.cms.gov

• Log in to access PS&R reports
  https://PSR-UI.cms.hhs.gov/psr-ui
Questions

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