

Cost report preparation - Four ways to improve accuracy

Presented by:

Jeff Wolf – Director of Reimbursement Services



*Smart about revenue.
Tenacious about results.*

Agenda

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

Matching Principle

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

Basic Reimbursement Principles

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

Basic Reimbursement Principles

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

Four ways to improve accuracy

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



Wage Index Hours Analysis

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



Wage Index Hours Analysis

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

Easy Work Papers





Impact of WS A-6 reclasses on wage index

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



Impact of WS A-6 reclasses on wage index

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



Impact of WS A-6 reclasses on wage index

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

Easy Work Papers





Matching revenue reclasses and adjustments to WS A-6 reclasses and A-8 adjustments

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



Matching revenue reclasses and adjustments to WS A-6 reclasses and A-8 adjustments

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



Matching revenue reclasses and adjustments to WS A-6 reclasses and A-8 adjustments

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



Matching revenue reclasses and adjustments to WS A-6 reclasses and A-8 adjustments

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



Matching revenue reclasses and adjustments to WS A-6 reclasses and A-8 adjustments

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



Matching revenue reclasses and adjustments to WS A-6 reclasses and A-8 adjustments

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

Easy Work Papers





Understanding how your patient's care differs from how CMS pays for services

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



Understanding how your patient's care differs from how CMS pays for services

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



Understanding how your patient's care differs from how CMS pays for services

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



Understanding how your patient's care differs from how CMS pays for services

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

Easy Work Papers



Question & Answers



Thank you

Jeff Wolf
Director of Reimbursement Services

Email: easyworkpapers@besler.com

