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CMS Enhancements to Hospice Cost Reporting

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Brief Background

- Historical Cost Reporting
- ACA mandated that CMS secure information necessary to effect rate revisions
 - Cost reporting modifications proposed in Spring 2013
 - Updated in November 2013
- Result:
 - New Hospice Cost & Data Report with a strong emphasis on data for rate revision

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Focus of Cost Report

- Achievement of costing by level of care; whereas current report focus on average cost per-patient day (making no distinction to the level of care)
- Without a doubt – cost report intended to directly influence rates paid under current system of payment or modified system of payment.
- Elimination of separate Form 339 submission

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Cost Reporting Components

- General and administrative costs (allocated to all managed activity components based on statistics)
- Hospice costs (those identified as part of the hospice benefit applied to all patients)
- Non-Reimbursable activities (those activities that are not part of the hospice benefit, included in hospice reimbursement)

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Expansion of General Cost Centers

- General service cost centers have been expanded to include: Capital related costs, Employee benefits, Administrative and general, Plant operation and maintenance, Laundry and linen, Housekeeping, Dietary, Nursing administration, Routine medical supplies, Medical records, Staff transportation, Volunteer service coordination, Pharmacy, Physician administrative services, and Other.

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Statistics of Importance

- Tracking in-facility days by level of care
- Direct patient care service hours (hours managed by Nursing Administration)
- Pharmacy charges (four levels of care)
- Others as in the past – square footage, volunteer hours, miles traveled for owned or leased vehicles
- **Substantial Modification of where we started**

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Hospice Costs

- Expansion of costs limited – new cost centers are:
 - Inpatient care contracted
 - Nurse practitioners
- Hospice costs are to be captured by level of care (LOC) (new worksheets developed, one for each of the four (4) levels of care)
 - i.e. Skilled nursing (RN) costs are to be captured and reported by the four (4) levels of care; impact on accounting records

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Significant Difficulties of Costing

- Tracking costs in essence by day as patient may move from one level of care to another.
- Example:
 - MSW salaries – routine home care
 - MSW salaries – general inpatient care
 - MSW salaries – inpatient respite care
 - MSW salaries – continuous care
- Time and expense capturing systems – or alternatives

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Cost Centers Subject to LOC Costing

- Inpatient Care – Contracted
- Physician Services
- Nurse Practitioner
- Registered Nurses
- LPN/LVN
- Physical Therapy
- Occupational Therapy
- Speech Therapy

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Cost Centers Subject to LOC Costing

- Medicare Social Services
- Spiritual Counseling
- Dietary Counseling
- Other Counseling
- Aides and Homemakers
- DME/Oxygen
- Patient Transportation
- Imaging Services

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Cost Centers Subject to LOC Costing

- Labs and Diagnostics
- Medical Supplies
- Outpatient Services
- Palliative Radiation Therapy
- Palliative Chemotherapy
- Other Patient Care Services

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Guidance on Room and Board

- The revised cost report illustrates handling of room and board (while not in agreement how the report handles this matter – result is the appropriate result)
 - No allocation of overhead expenses to contracted room and board.

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Result

- The determination of cost by level of care.
- Substantially expanded revenue reporting
- Data will be available to (subject to accuracy):
 - Determine margins on reimbursable services provided to Medicare program by level of care
 - Determine margins on reimbursable services provided to Medicare program in the aggregate
 - In conjunction with billing data – make estimates of cost of services at beginning, end, and middle of episode (total, diagnosis, and patient location). Information is power.

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Preparing for the Revised Report

- Accumulation of Statistics
 - Square footage (minimum):
 - Inpatient facilities
 - Residential facilities
 - Patient care staff (including nursing administration)
 - Administrative
 - Non-reimbursable activities

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Preparing for the Revised Cost Report

- Accumulation of Statistics
 - Patient days:
 - Inpatient facility (days by level of care)
 - Residential facilities
 - Total patient days by level of care and payor source, including charity care
 - Ancillary charges:
 - By payor source and, where possible level of care

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Preparing for the Revised Cost Report

- Accumulation of Statistics
 - Patient care staff
 - Paid hours for all patient care staff by classification of patient care staff, i.e. RN, LPN, aide, PT, etc.
 - Volunteer hours
 - Volunteer hours by nature of the service provided by the volunteer, i.e. administrative support, fundraising, homemaker, etc.
 - Owned or Leased Vehicles
 - Miles driven by nature of the service provided.

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Preparing for the Revised Cost Report

- Accounting Records
 - Accumulating cost information for all required cost centers
 - Segregation, where possible, of costs within those cost centers by level of care, i.e. inpatient, continuous, respite, and routine home care
 - Payroll systems
 - Purchasing and disbursement systems
 - Revenue systems
 - Computer systems (reporting)

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How to Prepare

- Understand cost reports are accrual-basis
- Redesign chart of accounts (financial reporting, management reporting, tax reporting, and cost reporting)
- Review accounting system to capture necessary data, where necessary identify alternate procedures to secure required data.
- Review and modify statistical accumulation processes.
- Don't forget **balancing costs with level of compliance and accuracy.**
- Education and involvement of those responsible for cost report preparation


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Outcomes

- Compliance (mandatory)
- Reporting costs by LOC thereby improving the relationship of reimbursement to costs
- Hopefully, improved overall cost finding; however, without significant effort the results could be worse than at the present time
- Increased information for hospice management if accurate and utilized



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