

Indiana Rural Health Association

Optimizing Your Medicare Cost Report:
*Understanding Cost Report Alignment with Your
Chargemaster and Other Related Strategies and Tips*



October 20, 2014

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About CliftonLarsonAllen

- A professional services firm with three distinct business lines
 - Accounting and Consulting
 - Outsourcing
 - Wealth Advisory
- 3,600 employees
- Offices coast to coast



Speaker Introductions

- **Dan Larsen**

Dan is a Principal with the health care group of CliftonLarsonAllen specializing in consulting services in the area of revenue cycle improvement, financial analysis, and Medicare and Medicaid reimbursement. Dan has managed accounting and reimbursement engagements for numerous hospitals, health systems, and other health care facilities.

Learning Objectives

At the end of this session, you will be able to:

- Recognize the chargemaster to cost report connection
- Discuss a best practice process to analyze the alignment of the chargemaster and cost report
- Identify examples of common misalignment issues that you can look for in your own chargemaster
- Give examples of other common chargemaster areas to monitor for more accurate revenue capture

Overview

- It starts with understanding cost based Medicare utilization
- Understanding the basics of the connection of the chargemaster to the Medicare cost report
- Chargemaster alignment best practices approach
- Common case study misalignment issues
- Other reimbursement optimization issues (as time permits)

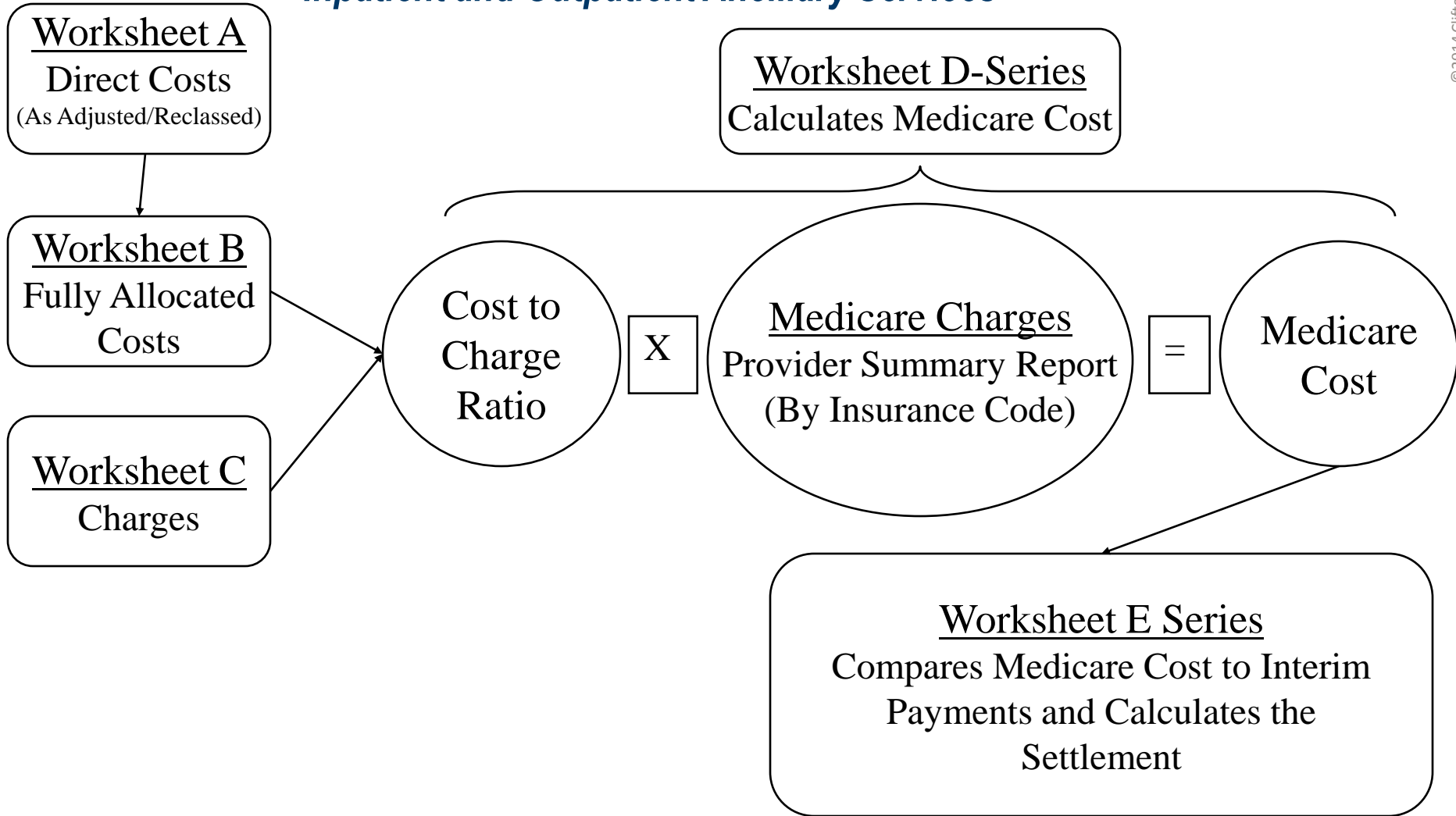


Optimizing Your Medicare Cost Report

It Starts with Understanding Cost Based Medicare Utilization

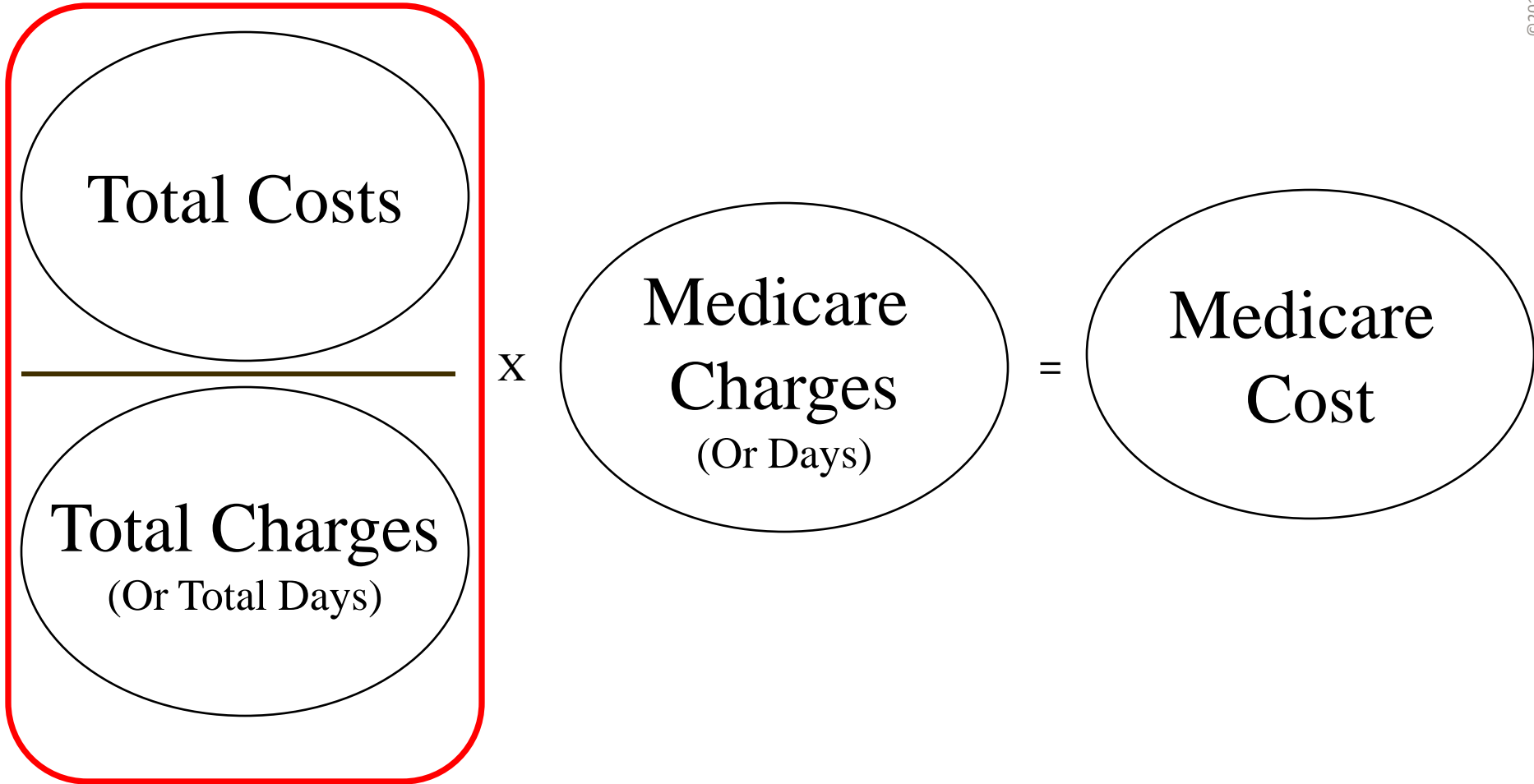
Ancillary Cost Calculation

Inpatient and Outpatient Ancillary Services



Understanding Your Medicare Cost Report

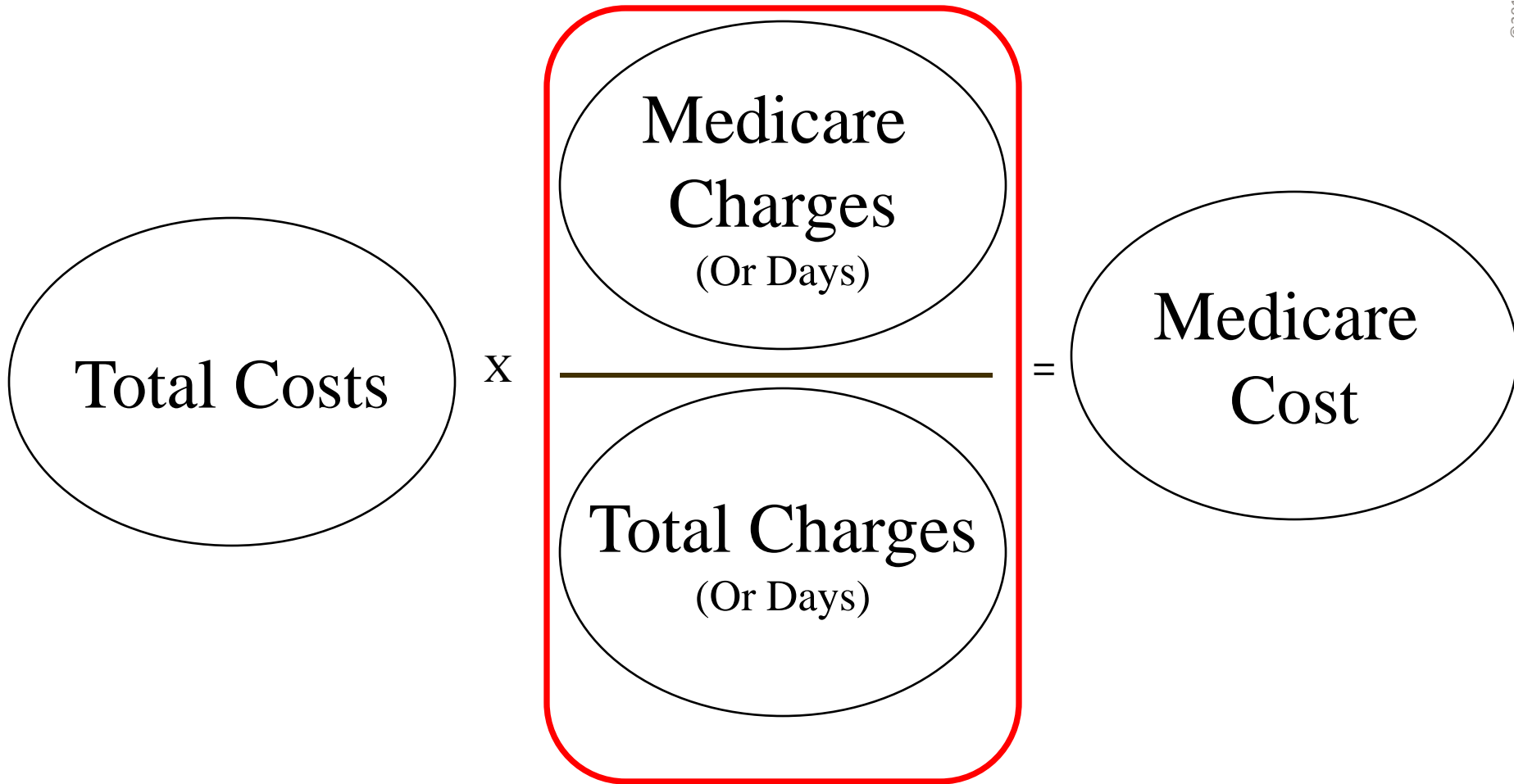
"It Starts with Understanding Utilization"



Cost to Charge Ratio (CCR) (or Cost Per Day)

Understanding Your Medicare Cost Report

"It Starts with Understanding Utilization"



Medicare Utilization

Understand Medicare Utilization By Department

<i>Inpatient and Outpatient Charges</i>						
Medicare		Current Year	Current Year	Current Year	Prior Year	Change in
Line	Description	Total Charges	Medicare Charges	Medicare Utilization %	Medicare Utilization %	Utilization
50	OPERATING ROOM	3,064,590	1,315,116	43%	45%	-2%
52	DELIVERY & LABOR ROOM	96,467	-	0%	0%	0%
53	ANESTHESIOLOGY	837,321	605,271	72%	71%	1%
54	RADIOLOGY-DIAGNOSTIC	6,040,854	2,344,606	39%	41%	-2%
60	LABORATORY	4,258,086	1,978,937	46%	49%	-3%
62	WHOLE BLOOD & CELLS	107,312	43,780	41%	47%	-6%
65	RESPIRATORY THERAPY	667,160	429,910	64%	69%	-5%
66	PHYSICAL THERAPY	1,101,301	604,977	55%	57%	-3%
67	OCCUPATIONAL THERAPY	122,242	84,050	69%	57%	11%
68	SPEECH PATHOLOGY	26,832	8,649	32%	57%	-25%
69	ELECTROCARDIOLOGY	841,698	499,074	59%	64%	-4%
71	MEDICAL SUPPLIES	603,534	323,964	54%	55%	-1%
72	IMPL. DEV. CHARGED	129,356	92,324	71%	68%	3%
73	DRUGS CHARGED	3,108,970	1,696,618	55%	57%	-2%
76	DIABETIC EDUCATION	15,391	6,572	43%	42%	0%
91	EMERGENCY	1,696,996	689,759	41%	39%	2%
92	OBSERVATION BEDS	328,345	199,232	61%	49%	12%

Understand Medicare Utilization By Department

Medicare Cost Center	Cost Center Description	Total MC & MA Impact of Adding \$1,000 of Cost To Cost Center	Cost Based Reimbursement Percentage	Expenses Added/ (Removed)	Cost Based Reimbursement Impact	Total Increase/ (Decrease) in Net Income
1.00	CAP COSTS-BLDG & FIXT	\$ 474	47.4%		-	-
2.00	CAP COSTS-MVBLE EQUIP	\$ 573	57.3%		-	-
4.00	EMPLOYEE BENEFITS	\$ 492	49.2%		-	-
5.00	BUSINESS OFFICE	\$ 540	54.0%		-	-
5.01	ELECTRONIC MEDICAL RECORDS	\$ 781	78.1%		-	-
5.02	ADMINISTRATIVE & GENERAL	\$ 499	49.9%		-	-
7.00	OPERATION OF PLANT	\$ 585	58.5%		-	-
7.01	UTILITIES	\$ 456	45.6%		-	-
8.00	LAUNDRY & LINEN SERVICE	\$ 542	54.2%		-	-
9.00	HOUSEKEEPING	\$ 599	59.9%		-	-
10.00	DIETARY	\$ 225	22.5%		-	-
11.00	CAFETERIA	\$ 449	44.9%		-	-
13.00	NURSING ADMINISTRATION	\$ 694	69.4%		-	-
14.00	CENTRAL SERVICES & SUPPLY	\$ 548	54.8%		-	-
15.00	PHARMACY	\$ 653	65.3%		-	-
16.00	MEDICAL RECORDS & LIBRARY	\$ 647	64.7%		-	-
19.00	NONPHYSICIAN ANESTHETISTS	\$ 834	83.4%		-	-
30.00	ADULTS & PEDIATRICS	\$ 895	89.5%		-	-
43.00	NURSERY	\$ 401	40.1%		-	-
50.00	OPERATING ROOM	\$ 524	52.4%		-	-
52.00	DELIVERY & LABOR ROOM	\$ 599	59.9%		-	-
53.00	ANESTHESIOLOGY	\$ 834	83.4%		-	-
54.00	RADIOLOGY-DIAGNOSTIC	\$ 530	53.0%		-	-
60.00	LABORATORY	\$ 585	58.5%		-	-

Understand Medicare Utilization By Department

Medicare Cost Center	Cost Center Description	Total MC & MA Impact of Adding \$1,000 of Cost To Cost Center	Cost Based Reimbursement Percentage	Expenses Added/ (Removed)	Cost Based Reimbursement Impact	Total Increase/ (Decrease) in Net Income
62.00	WHOLE BLOOD & CELLS	\$ 418	41.8%		-	-
65.00	RESPIRATORY THERAPY	\$ 744	74.4%		-	-
66.00	PHYSICAL THERAPY	\$ 684	68.4%		-	-
67.00	OCCUPATIONAL THERAPY	\$ 792	79.2%		-	-
68.00	SPEECH PATHOLOGY	\$ 583	58.3%		-	-
69.00	ELECTROCARDIOLOGY	\$ 720	72.0%		-	-
71.00	MEDICAL SUPPLIES	\$ 713	71.3%		-	-
72.00	IMPL. DEV. CHARGED	\$ 916	91.6%		-	-
73.00	DRUGS CHARGED	\$ 653	65.3%		-	-
76.00	DIABETIC EDUCATION	\$ 616	61.6%		-	-
88.00	RHC #1	\$ 414	41.4%	(50,000)	(20,690)	29,310
88.01	RHC #2	\$ 323	32.3%		-	-
88.02	RHC #3	\$ 538	53.8%		-	-
91.00	EMERGENCY	\$ 590	59.0%	50,000	29,483	(20,517)
95.00	AMBULANCE SERVICES	\$ 37	3.7%		-	-
113.00	All NON-REIMBURSABLE LINES	\$ (57)	-5.7%		-	-
				-	8,792	8,792

For critical access hospitals >>>> Essentially you are in a joint venture with the Medicare program

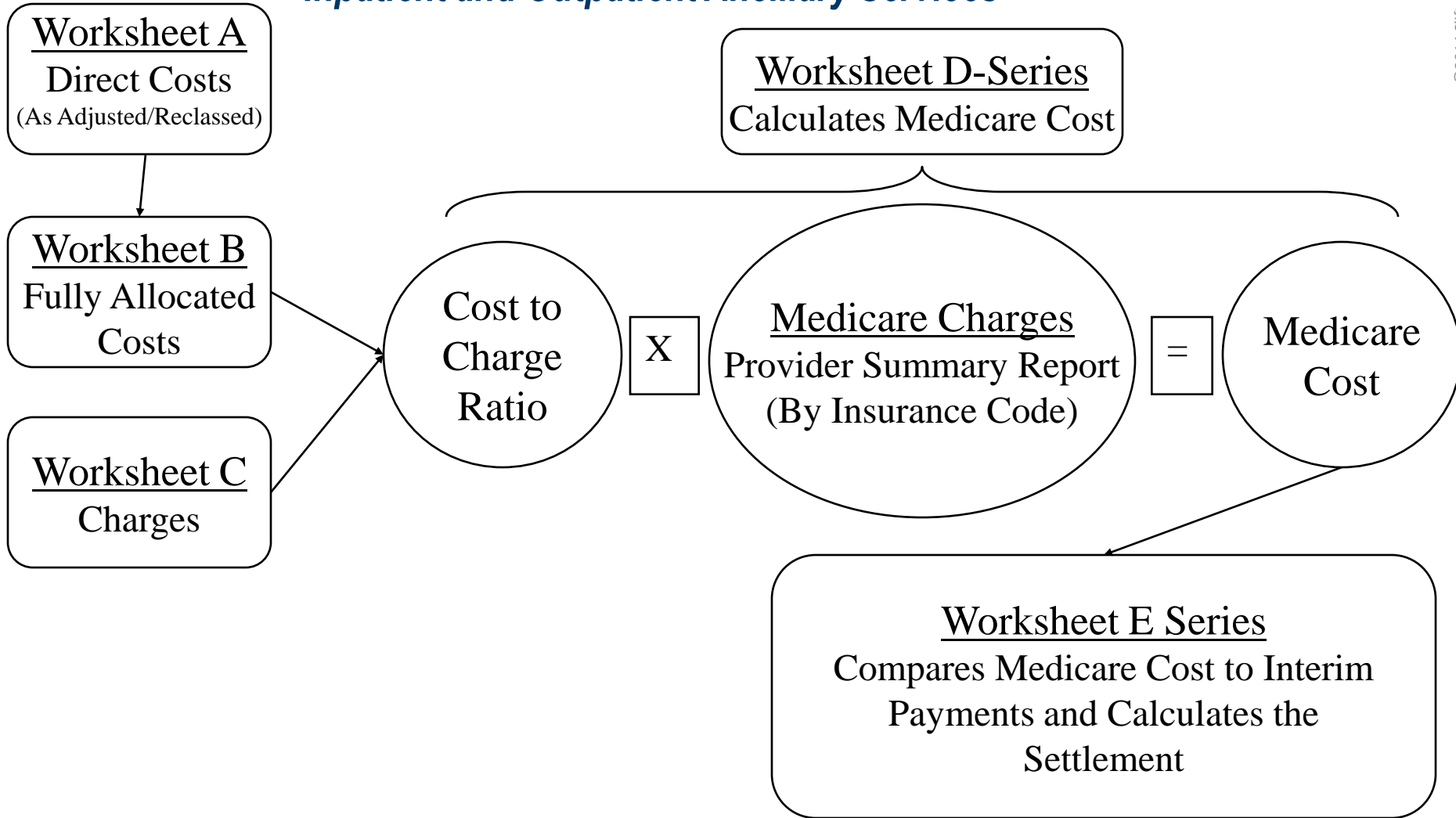


Optimizing Your Medicare Cost Report

Understanding the Basics of the Connection of the Chargemaster to the Medicare Cost Report

Ancillary Cost Calculation

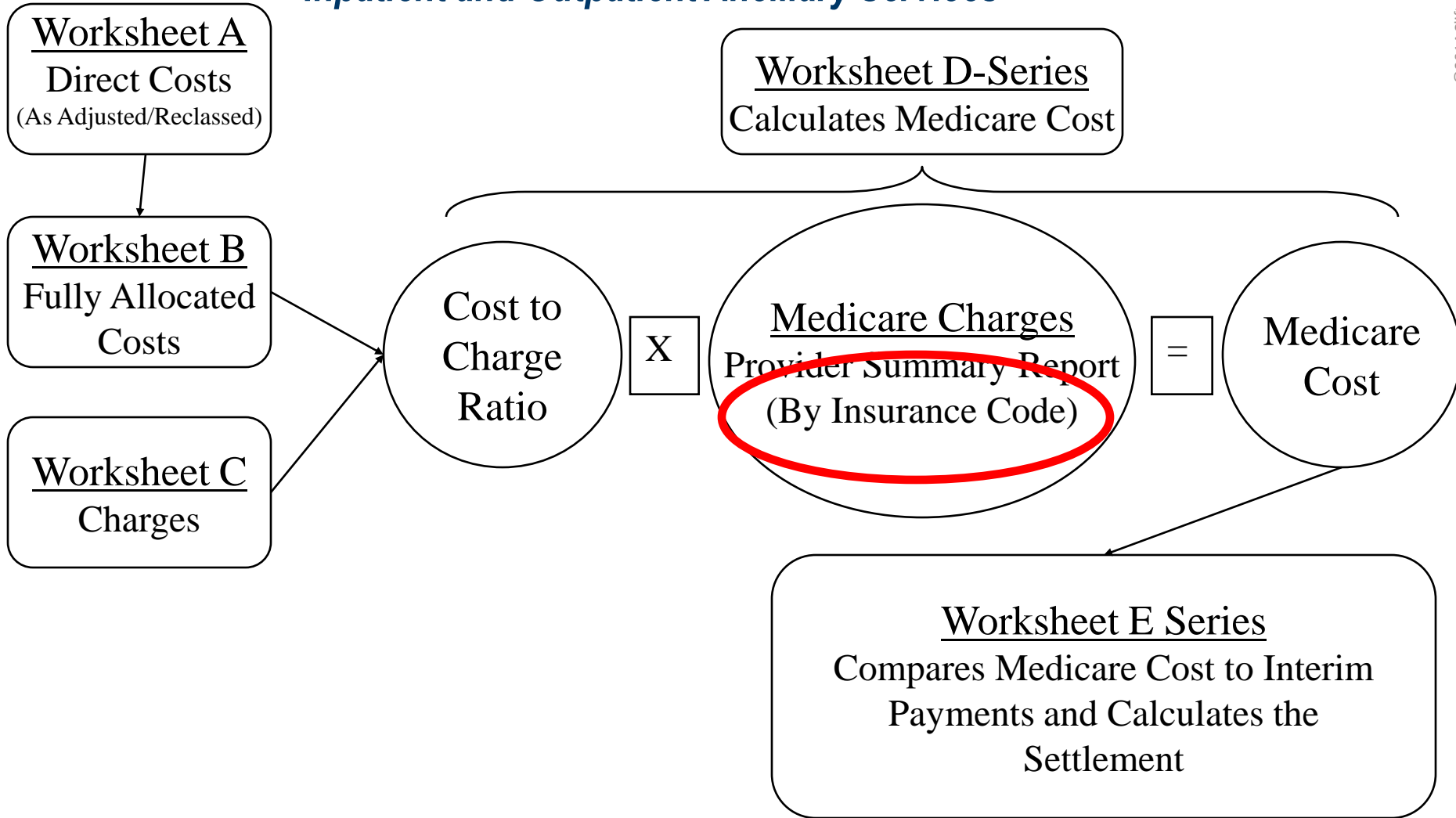
Inpatient and Outpatient Ancillary Services



Medicare		Total Costs Per	Worksheet C	Current Year
Line	Description	B,I	Charges	Cost to Charge Ratio
30	ADULTS & PEDIATRICS	2,931,549	1,498,470	1.9563615
43	NURSERY	101,799	170,081	0.5985328
46	OTHER LONG TERM CARE	1,764,275	1,244,234	1.4179605
50	OPERATING ROOM	1,584,408	3,064,590	0.5170048
52	DELIVERY & LABOR ROOM	47,681	96,467	0.4942687
53	ANESTHESIOLOGY	416,625	837,321	0.4975695
54	RADIOLOGY-DIAGNOSTIC	1,918,174	6,040,854	0.3175336
60	LABORATORY	1,760,763	4,258,086	0.4135104
62	WHOLE BLOOD & CELLS	81,480	107,312	0.7592768
65	RESPIRATORY THERAPY	198,739	667,160	0.2978874
66	PHYSICAL THERAPY	763,327	1,101,301	0.6931140
67	OCCUPATIONAL THERAPY	109,935	122,242	0.8993231
68	SPEECH PATHOLOGY	27,136	26,832	1.0113429
69	ELECTROCARDIOLOGY	367,680	841,698	0.4368311
71	MEDICAL SUPPLIES	350,274	603,534	0.5803716
72	IMPL. DEV. CHARGED	85,045	129,356	0.6574504
73	DRUGS CHARGED	1,063,833	3,108,970	0.3421819
76	DIABETIC EDUCATION	61,073	15,391	3.9681282
91	EMERGENCY	1,840,205	1,696,996	1.0843896
92	OBSERVATION BEDS	406,822	328,345	1.2390103
		20,089,146	31,944,317	0.62888013

Ancillary Cost Calculation

Inpatient and Outpatient Ancillary Services



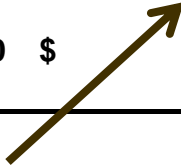
Typical PS&R Alignment

Revenue Code	PS&R Reclass WP Supp Ref	Revenue Description	Medicare Line	Report Type 850
ANCILLARY CHARGES				
250		PHARMACY	73	259,635
255		DRUGS/INCIDENT RAD	54	13,334
258		IV SOLUTIONS	73	121,304
259		DRUGS/OTHER	73	
260		IV THERAPY	91	178,548
270		MED-SUR SUPPLIES	71	147,936
276		INTR OC LENS	72	76,620
278		SUPPLY/IMPLANTS	72	15,214
300		LABORATORY	60	687,828
301		LAB/CHEMISTRY	60	745,009
302		LAB/IMMUNOLOGY	60	13,742
305		LAB/HEMATOLOGY	60	226,100

Cost Report Alignment

Medicare Line	Description	Total Costs Per B,I	Worksheet C Charges	Current Year Cost to Charge Ratio
71	MEDICAL SUPPLIES	\$ 350,274	\$ 603,534	0.58037
73	DRUGS CHARGED	\$ 1,063,833	\$ 3,108,970	0.34218

Medicare Line	Description	Current Year Cost to Charge Ratio	Medicare Charges	Medicare Calculated Cost
71	MEDICAL SUPPLIES	0.58037	\$ 100,000	\$ 58,037
73	DRUGS CHARGED	0.34218	\$ 100,000	\$ 34,218



ALIGNMENT TO THE WRONG COST CENTER WILL IMPACT REIMBURSEMENT

Cost Report Alignment

- **The impact of misalignment can be significant**
 - **Potential direct settlement impact for CAH facilities and some PPS facilities**
 - **Impact PPS rate setting**
 - **Indirect impact to PPS reimbursement**



Optimizing Your Medicare Cost Report

Chargemaster Alignment Best Practices Approach

Chargemaster Alignment Best Practices

- Medicare cost report crosswalk
 - In order to assure that all revenue codes are aligned with the appropriate cost center, a PS&R crosswalk should be developed, maintained, **and verified each year** as a step in preparing the Medicare cost report

Chargemaster Alignment Best Practices

- Alignment using the revenue usage report and chargemaster is the most effective method
 - More effective than just using the chargemaster alone
 - Provides a solid audit trail
 - Can toggle to Medicare payer only to increase PS&R reclass accuracy
 - Can be a useful tool for finding other revenue enhancements

Chargemaster Alignment Best Practices

- Key data elements required

FROM REVENUE USAGE DOWNLOAD						From CDM
Dept #	Dept Description	Charge #	Charge Description	Total Qty	Total \$	Revenue Code
301	ROUTINE SERVICES	3010003	ACUTE MONITOR ROOM	122.00	135,420.00	120
301	ROUTINE SERVICES	3010004	ACUTE ROOM	558.00	491,075.50	120
301	ROUTINE SERVICES	3011770	BLADDER SCAN	11.00	1,206.70	920
302	OBSERVATION	3021000	24 HR OBSER 1ST HOUR	232.00	65,789.35	762
302	OBSERVATION	3021010	24 HR OBSERV OVER 24	1,278.00	46,762.02	762
302	OBSERVATION	3021020	24 OBSERV 2-24 HOURS	5,309.00	137,214.65	762
302	OBSERVATION	3021030	24HR MON BED 1ST HR	75.00	38,565.00	762
302	OBSERVATION	3021070	SUBCU/IM INJ THERAPE	35.00	1,872.50	260

Chargemaster Alignment Best Practices

- PIVOT TABLE CONVERSION

Line Per PSR		30	30
Line Per W S C	Sum of Total \$	Column Labels	Row Labels
30 ROUTINE SERVICES	301	626,496	
92 OBSERVATION	302		
116 HOSPICE IP	303		
30 SWING BED	304	410,815	
30 OBSTETRIC SERVICES	308		278,400
43 NEWBORN NURSERY	309		
50 SURGICAL SERVICES	320		
50 RECOVERY SERVICES	322		
52 DELIVERY SERVICES	324		
71 CENTRAL SUPPLY	325		
91 EMERGENCY ROOM SVC	330		
91 EMERGENCY PHYSICIAN	331		
		120	122

Chargemaster Alignment Best Practices

- Reconciliation to Worksheet C

MCR Line	Line Description	Unadjusted IP Charges	Unadjusted OP Charges	Worksheet C Total Charges	Pivot Table Charges	Difference
30	ADULTS & PEDIATRICS	1,440,776	0	1,440,776	1,440,776	(0)
43	NURSERY	170,081	0	170,081	170,081	0
46	OTHER LONG TERM CARE	1,244,234	0	1,244,234	1,245,350	(1,116)
50	OPERATING ROOM	268,610	2,722,939	2,991,549	2,991,549	(0)
52	DELIVERY & LABOR ROOM	96,467	0	96,467	96,467	(0)
53	ANESTHESIOLOGY	59,247	778,074	837,321	837,321	0
54	RADIOLOGY-DIAGNOSTIC	149,400	5,891,455	6,040,855	6,040,905	(50)
60	LABORATORY	327,944	4,037,454	4,365,398	4,365,398	(0)
65	RESPIRATORY THERAPY	415,760	467,299	883,059	883,059	(0)
66	PHYSICAL THERAPY	179,705	921,596	1,101,301	1,101,302	(1)
67	OCCUPATIONAL THERAPY	24,208	98,034	122,242	122,242	0
68	SPEECH PATHOLOGY	6,312	20,520	26,832	26,832	0
69	ELECTROCARDIOLOGY	28,969	812,728	841,697	841,698	(1)
71	MEDICAL SUPPLIES	67,341	449,649	516,990	516,990	(0)
73	DRUGS CHARGED	606,232	2,502,739	3,108,971	3,108,971	0
76	DIABETIC EDUCATION	0	15,391	15,391	15,391	(0)
91	EMERGENCY	60,592	2,755,950	2,816,542	2,816,541	1

Chargemaster Alignment Best Practices

- Validate one to one matches

Line Per WSC	Line Per PSR	Sum of Total \$	Column Labels	Row Labels
	30			30
30	ROUTINE SERVICES	301	626,496	
92	OBSERVATION	302		
116	HOSPICE IP	303		
30	SWING BED	304	410,815	
30	OBSTETRIC SERVICES	308		278,400
43	NEWBORN NURSERY	309		
50	SURGICAL SERVICES	320		
50	RECOVERY SERVICES	322		
52	DELIVERY SERVICES	324		
71	CENTRAL SUPPLY	325		
91	EMERGENCY ROOM SVC	330		
91	EMERGENCY PHYSICIAN	331		

Chargemaster Alignment Best Practices

- Identify revenue codes that are in multiples worksheet C lines

Line Per WS C		Line Per PSR	PSR 73,62	PSR 91,92
		Sum of Total \$		
	Row Labels		250	260
30	ROUTINE SERVICES	301		
92	OBSERVATION	302		97,443
116	HOSPICE IP	303		
30	SWING BED	304		
30	OBSTETRIC SERVICES	308		6,677
43	NEWBORN NURSERY	309		
50	SURGICAL SERVICES	320		
50	RECOVERY SERVICES	322		
52	DELIVERY SERVICES	324		
71	CENTRAL SUPPLY	325		
91	EMERGENCY ROOM SVC	330		305,363
91	EMERGENCY PHYSICIAN	331		
60	LAB SERVICES	401		
62	BLOOD BANK	402	7,600	
54	RADIOLOGY SVCS	404		
54	ULTRASOUNDS	405		
54	SCANS	406		
53	ANESTHESIA	408		
73	PHARMACY	410	9,810	

Chargemaster Alignment Best Practices

- Identify revenue codes that are in multiples worksheet C lines

Dept #	Dept Description	Charge #	Charge Description	Total Qty	Total \$	Rev Code
402	BLOOD BANK	4021340	RHOGAM	38	7600	250

Dept #	Dept Description	Charge #	Charge Description	Total Qty	Total \$	Rev Code
410	PHARMACY	4108000	TRYPAN BLUE	7	880.88	250
410	PHARMACY	4107900	LTA KIT	2	33.16	250
410	PHARMACY	4107780	TETRACAINE OPTH	2	25.02	250
410	PHARMACY	4104740	XYLOCAINE 2% CATAR.	1	1.75	250
410	PHARMACY	4104460	ULTANE 250ML	115	1952.7	250
410	PHARMACY	4104210	SUPRANE 240ML	25	1000	250
410	PHARMACY	4103570	LTC MEDICATION	307	3090.08	250
410	PHARMACY	4103270	MYLICON	5	20.6	250
410	PHARMACY	4103190	MISC PHARMACY	16	2525.28	250
410	PHARMACY	4102550	HURRICAIN SOLUTION	34	280.5	250

Chargemaster Alignment Best Practices

- Determine reclassifications needed

Rev Code	Dept	IP	% to Total	OP	% to Total	MCR Ln
250	402	3,200	1.66%	4,400	1.96%	62
250	410	3,497	1.81%	6,313	2.81%	73
250	444	186,392	96.53%	213,944	95.23%	73
	Total	193,089	100.00%	224,657	100%	

Chargemaster Alignment Best Practices

- Modify crosswalk

				OUTPATIENT		
Revenue Code	PS&R Reclass WP Supp Ref	Revenue Description	Medicare Line	Report Type 850	Other Adjustment s to PS&R	Adjusted PS&R
ANCILLARY CHARGES						
250		PHARMACY	73	259,635	(5,085)	254,550
	PSR-1		62		5,085	5,085
255		DRUGS/INCIDENT RAD	54	13,334		13,334
258		IV SOLUTIONS	73	121,304		121,304
259		DRUGS/OTHER	73			-
260		IV THERAPY	91	178,548	(42,503)	136,045
	PSR-2		92		42,503	42,503
270		MED-SUR SUPPLIES	71	147,936		147,936

Chargemaster Alignment Best Practices

- Understand the impact
 - There can be multiple ways to correct alignment

Medicare Line	Description	Total Costs Per B,I	Worksheet C Charges	Current Year Cost to Charge Ratio
73	DRUGS CHARGED	\$ 1,063,833	\$ 3,108,970	0.34218
62	WHOLE BLOOD & CELLS	\$ 81,480	\$ 107,312	0.75928

Medicare Line	Description	Current Year Cost to Charge Ratio	Medicare Charges	Medicare Calculated Cost
73	DRUGS CHARGED	0.34218	\$ 5,085	\$ 1,740
62	WHOLE BLOOD & CELLS	0.75928	\$ 5,085	\$ 3,861
Impact of Splitting a Portion of Revenue Code 250				\$ 2,121

Chargemaster Alignment Best Practices

- Another impact from this spreadsheet

Medicare Line	Description	Total Costs Per B,I	Worksheet C Charges	Current Year Cost to Charge Ratio
91	EMERGENCY	\$ 1,840,205	\$ 1,696,996	1.08439
92	OBSERVATION BEDS	\$ 406,822	\$ 328,345	1.23901

Medicare Line	Description	Current Year Cost to Charge Ratio	Medicare Charges	Medicare Calculated Cost
91	EMERGENCY	1.08439	\$ 42,503	\$ 46,089
92	OBSERVATION BEDS	1.23901	\$ 42,503	\$ 52,661
Impact of Splitting a Portion of Revenue Code 260				<u>\$ 6,572</u>



Optimizing Your Medicare Cost Report

Common Case Study Misalignment Issues

Common Case Study Misalignment Issues

- Direct alignment error

PS&R Assignments - IP **40**
PS&R Assignments - OP **40**

WS C	Sum of 11 Months Charges Ending 8/31/09 - IP and OP	
MCR Line	Dept.	272
37	AMBULATORY SURGERY	
55	MED-SURG SUPPLIES	\$ 28,599
41	NUCLEAR	
62	OBSERVATION/RECOVERY RM	
50	OCCUPATIONAL THERAPY	
41	ULTRASOUND	
	Grand Total	\$ 28,599

Common Case Study Misalignment Issues

- IV administration/infusions service
 - Generally under 260 revenue code

These are nursing services, not IV solutions.

Where is the cost? Where are the charges?

Realignment can take several forms.

Common Case Study Misalignment Issues

- IV administration/infusions service example

55.00	MEDICAL SUPPLIES CHARGED TO PATIENTS		
850	Critical Access Hospital		
260	IV THERAPY		173,501.75
270	MED-SURG SUPPLIES		122,145.84
271	NONSTER SUPPLY		2,475.00
272	STERILE SUPPLY		95.00
276	INTR OC LENS		75,860.00
			<hr/>
Total	MEDICAL SUPPLIES CHARGED TO PATIENTS		374,078.00

- Revenue code 260 incorrectly assigned to medical supply cost center

Common Case Study Misalignment Issues

- IV administration/infusions service example impact

Rev Code	WS C Line	Line Description	Cost To Charge Ratio	Outatient Medicare Charges	Outatient Medicare Cost
As Filed Alignment					
260	55	MEDICAL SUPPLIES	0.61311	\$ 173,502	\$ 106,376
Corrected Alignment					
260	61	EMERGENCY	0.983891	\$ 173,502	\$ 170,707
Resulted in Underpayment From Medicare Program of					\$ 64,331

Common Case Study Misalignment Issues

- Blood administration
 - Generally under 391 revenue code

These are nursing services, not the blood product itself

Where is the cost? Where are the charges?

Watch out for lab tests

Realignment can take several forms

Common Case Study Misalignment Issues

- Nursing services
 - Are ancillary services being performed by your routine nursing staff for scheduled outpatient procedures?
 - ◇ IV infusion
 - ◇ Blood administration
 - ◇ Recovery room services
 - Where are the costs and charges for these?
 - Sometimes requires a B-2 post step down adjustment
 - Be sure you are billing compliantly

Common Case Study Misalignment Issues

- Nursing services
 - Another IV infusion example

Inpatient Medicare Charges Billed under Revenue Code 260

Inpatient D-4	1,159,116	Per PS&R Report
Swing Bed D-4	<u>12,108</u>	Per PS&R Report
Total Inpatient Charges	<u><u>1,171,224</u></u>	
Times CCR For Line 56	0.196652	From D,V
Total Medicare Cost Claimed	230,324	Included in D,V Cost

- What two issues do you see with this handling?

Common Case Study Misalignment Issues

- Immunizations
 - Technically a nursing service and a drug
 - Revenue code 636
 - Revenue code 771

Common Case Study Misalignment Issues

- Inpatient days reconciliation
 - Reconcile inpatient days used in the cost report to your revenue usage report
 - Combine this as a part of the chargemaster alignment process
 - Impact of incorrect days are also plus or minus \$500 to \$1,000 per day for CAH facilities

Common Case Study Misalignment Issues

- Inpatient days reconciliation (from earlier example)

301 ROUTINE SERVICES	3010003 ACUTE MONITOR ROOM	122.00	135,420.00	-
301 ROUTINE SERVICES	3010004 ACUTE ROOM	558.00	491,075.50	-
304 SWING BED	3040017 SKILLED ROOM	873.00	407,691.00	-
304 SWING BED	3040019 INTERMEDIATE ROOM	11.00	2,464.00	-
304 SWING BED	3040020 SKILLED MONITOR ROOM	1.00	660.00	-
308 OBSTETRIC SERVICES	3080030 OB ROOM	290.00	278,400.00	-
309 NEWBORN NURSERY	3090010 NURSERY ROOM	250.00	153,750.00	-
		85,766.00	3,918,875.20	478,418.00
		Per checklist	Per RU	Variance
	Swing bed	885.00	885.00	-
	Adults & Peds	973.00	970.00	3.00
	Nursery	250.00	250.00	-

– Impact of 3 days difference notes above was \$3,570

Common Case Study Misalignment Issues

- Reporting of observation days
 - Utilize revenue usage to assure these correlate to the charges on Worksheet C

Dept #	Dept Description	Charge #	Charge Description	Total Qty	Total \$	Rev Code	Price
302	OBSERVATION	3021000	24 HR OBSER 1ST HOUR	232	\$ 65,789	762	\$ 283.57
302	OBSERVATION	3021010	24 HR OBSERV OVER 24	1,278	\$ 46,762	762	\$ 36.59
302	OBSERVATION	3021020	24 OBSERV 2-24 HOURS	5,309	\$ 137,215	762	\$ 25.85
302	OBSERVATION	3021030	24HR MON BED 1ST HR	75	\$ 38,565	762	\$ 514.20
308	OBSTETRIC SERVICES	3081180	OB OBSERV. OVER 24 H	42	\$ 1,676	762	\$ 39.90
308	OBSTETRIC SERVICES	3081110	OB OBSERVATION 1ST H	14	\$ 3,370	762	\$ 240.70
308	OBSTETRIC SERVICES	3081060	OB OBSERVATION 2-7 H	86	\$ 10,301	762	\$ 119.78

7,036

Common Case Study Misalignment Issues

- Reporting of observation days
 - Common reporting mistakes
 - ◇ Observation patients versus days
 - ◇ Observation hours From patient log including ER time before placed in observation by physician
 - ◇ Other charges on worksheet C

Common Case Study Misalignment Issues

- Labor and delivery services
 - How are you handling labor days?
 - How are you handling LDRP square footage?

<u>WS C Line</u>	<u>Line Description</u>	<u>Costs</u>	<u>Days</u>	<u>Cost Per Day</u>	<u>Medicare Days</u>	<u>Medicare Cost</u>
ROUTINE OBSTETRIC SERVICES						
25	ADULTS AND PEDS	\$ 500,000	500	\$ 1,000	250	\$250,000
<u>WS C Line</u>	<u>Line Description</u>	<u>Costs</u>	<u>Charges</u>	<u>Cost To Charge Ratio</u>	<u>Medicare Charges</u>	<u>Medicare Cost</u>
ANCILLARY LABOR AND DELIVERY SERVICES						
39	Labor and Delivery	\$ 150,000	\$ 300,000	0.50000	\$ -	\$ -

Common Case Study Misalignment Issues

- Labor and delivery services
 - Removing labor days increases cost per day

WS C Line	Line Description	Costs	Days	Cost Per Day	Medicare Days	Medicare Cost
ROUTINE OBSTETRIC SERVICES						
25	ADULTS AND PEDS	\$ 500,000	475	\$ 1,053	250	\$263,158
WS C Line	Line Description	Costs	Charges	Cost To Charge Ratio	Medicare Charges	Medicare Cost
ANCILLARY LABOR AND DELIVERY SERVICES						
39	Labor and Delivery	\$ 150,000	\$ 300,000	0.50000	\$ -	\$ -

- For CAHs the impact is about \$500 to \$1,000 per labor day
- Duplication of labor days for PPS impacts DSH
 - ◇ As of FY Beginning 10/1/09 New Line 29 on S-3

Common Case Study Misalignment Issues

- Labor and delivery services
 - Square footage handling
 - ◇ Costs could potentially increase as well if square footage is not currently properly handled
 - ◇ Split based on labor time versus post partum time
 - When considering the impact of LDRP square footage and the LDRP days, we have seen several cases where this has had an impact of > \$100,000 annually
 - ◇ In one case we found a facility that had an entirely separate women's care unit where the impact was over \$250,000

Common Case Study Misalignment Issues

- Inpatient days reporting
 - Handling of domestic days for self insured payers
 - Removal of domestic observation days

Common Case Study Misalignment Issues

- Professional revenue codes on PS&R
 - Should not be on cost based PS&R reports
 - Be sure to look into how these are being billed
 - Might indicate incorrect billing

Common Case Study Misalignment Issues

- Pivot table can help identify these

Line Per		Line Per PSR	NO PSR
WS C		Sum of Total \$	
		Row Labels	981
30	ROUTINE SERVICES	301	
92	OBSERVATION	302	
116	HOSPICE IP	303	
30	SWING BED	304	
30	OBSTETRIC SERVICES	308	
43	NEWBORN NURSERY	309	
50	SURGICAL SERVICES	320	
50	RECOVERY SERVICES	322	
52	DELIVERY SERVICES	324	
71	CENTRAL SUPPLY	325	
91	EMERGENCY ROOM SVC	330	
91	EMERGENCY PHYSICIAN	331	660,465
60	LAB SERVICES	401	

Common Case Study Misalignment Issues

- Provider based clinics
 - Professional carve out is critical
 - ◇ Need detailed proration of splits
 - ◇ Make sure resulting utilization makes sense
 - ◇ Watch for 100% professional line items
 - ◇ Watch out for ancillaries
 - Don't assume just 510 revenue code needs to be aligned with clinic lines
 - ◇ What other ancillaries are in these numbers?
 - ◇ May need separate clinic system file to correctly align these.

Common Case Study Misalignment Issues

- Radiology contrast
 - Potential revenue codes = 255, 343, 344, 636
 - Revenue code 636 often gets combined with pharmacy
 - Critical to understand where the costs and charges are being recorded

Common Case Study Misalignment Issues

- IV solutions
 - Revenue code 258
 - Are the charges in the pharmacy or medical supply area?
 - Where are the costs?

Common Case Study Misalignment Issues

53.00 ELECTROCARDIOLOGY			
140	Outpatient - Clinical Lab Nonpatient		
	730	EKG/ECG	0.00
	740	EEG	0.00
	770	PREVENT CARE SVS	0.00
850	Critical Access Hospital		
	480	CARDIOLOGY	112,095.00
	482	STRESS TEST	50,777.75
	730	EKG/ECG	65,234.00
	731	HOLTER MONT	32,196.25
	740	EEG	87,423.00
	943	CARDIAC REHAB	48,216.50
	949	ADDITIONAL RX SVS	280.00
Total ELECTROCARDIOLOGY			396,223.00

- What's wrong with this alignment?

Common Case Study Misalignment Issues

- Revenue code 740
 - EEGs aren't EKGs
 - Revenue code 740 was recorded under sleep study services which was included in the respiratory therapy cost center

Rev Code	WS C Line	Line Description	Cost To Charge Ratio	Outatient Medicare Charges	Outatient Medicare Cost
As Filed Alignment					
740	53	EKGS	0.492775	\$ 87,423	\$ 43,080
Corrected Alignment					
740	49	RESP THERAPY	0.232954	\$ 87,423	\$ 20,366
Resulted in Overpayment From Medicare Program of					<u>\$ (22,714)</u>

Common Case Study Misalignment Issues

53.00 ELECTROCARDIOLOGY			
140	Outpatient - Clinical Lab Nonpatient		
	730	EKG/ECG	0.00
	740	EEG	0.00
	770	PREVENT CARE SVS	0.00
850	Critical Access Hospital		
	480	CARDIOLOGY	112,095.00
	482	STRESS TEST	50,777.75
	730	EKG/ECG	65,234.00
	731	HOLTER MONT	32,196.25
	740	EEG	87,423.00
	943	CARDIAC REHAB	48,216.50
	949	ADDITIONAL RX SVS	280.00
Total ELECTROCARDIOLOGY			396,223.00

- Did you catch the other issue?

Common Case Study Misalignment Issues

- Blood products/blood bank charges
 - Watch out for other revenue codes that are included in the blood bank department
 - ◇ Case studies had revenue code 250 and 636 in them
 - ◇ As well, some lab charges under revenue code 30X may show up in this area
 - ◇ **Are these charges aligned with the blood bank cost center or are did they get incorrectly blended with the pharmacy or lab cost centers?**

Common Case Study Misalignment Issues

- Supply issues
 - Traditionally an area that required significant PS&R or Worksheet C reclassifications to properly align
 - Implant line
 - ◇ Will create issues with identifying costs and charges
 - ◇ Opportunities can be significant
 - Routine versus billable supplies
 - Having the correct revenue codes on the chargemaster will be critical

Common Case Study Misalignment Issues

- EKGs/telemetry
 - Revenue codes 731 and 732
 - Where is the cost for these services?
 - ◇ If in the routine nursing area this creates an issue with outpatient alignment

Common Case Study Misalignment Issues

- Other areas
 - Cardiology versus cardiac rehab
 - Dietary consulting, revenue code 942
 - Watch out for revenue codes 92X and above as these often show up in less than predictable places on the cost report

Other Thoughts

- Before filing, review utilization by department on your cost report to assure it makes sense

Inpatient and Outpatient Charges						
Medicare		Current Year	Current Year	Current Year	Prior Year	Change in
Line	Description	Total Charges	Medicare Charges	Medicare Utilization %	Medicare Utilization %	Utilization
50	OPERATING ROOM	3,064,590	1,315,116	43%	45%	-2%
52	DELIVERY & LABOR ROOM	96,467	-	0%	0%	0%
53	ANESTHESIOLOGY	837,321	605,271	72%	71%	1%
54	RADIOLOGY-DIAGNOSTIC	6,040,854	2,344,606	39%	41%	-2%
60	LABORATORY	4,258,086	1,978,937	46%	49%	-3%
62	WHOLE BLOOD & CELLS	107,312	43,780	41%	47%	-6%
65	RESPIRATORY THERAPY	667,160	429,910	64%	69%	-5%
66	PHYSICAL THERAPY	1,101,301	604,977	55%	57%	-3%
67	OCCUPATIONAL THERAPY	122,242	84,050	69%	57%	11%
68	SPEECH PATHOLOGY	26,832	8,649	32%	57%	-25%
69	ELECTROCARDIOLOGY	841,698	499,074	59%	64%	-4%
71	MEDICAL SUPPLIES	603,534	323,964	54%	55%	-1%
72	IMPL. DEV. CHARGED	129,356	92,324	71%	68%	3%
73	DRUGS CHARGED	3,108,970	1,696,618	55%	57%	-2%
76	DIABETIC EDUCATION	15,391	6,572	43%	42%	0%
91	EMERGENCY	1,696,996	689,759	41%	39%	2%
92	OBSERVATION BEDS	328,345	199,232	61%	49%	12%

Other Thoughts

- Audit materiality shouldn't be applied
 - \$1,000 items add up, and have a year after year impact



Optimizing Your Medicare Cost Report

Other Reimbursement Optimization Ideas

"As Time Permits"

Chargemaster Areas to Monitor

- Emergency room – facility fees

Description	CPT Code	Current Volume	"Expected Bell Curve Volume"	Facility Charge	Difference in Gross Charges if at "Expected Bell Curve"
ER LEVEL I	99281	3,574	528	\$188.35	\$ (573,752)
ER LEVEL II	99282	893	1,056	\$376.60	\$ 61,235
ER LEVEL III	99283	501	2,026	\$564.95	\$ 861,662
ER LEVEL IV	99284	157	1,056	\$753.10	\$ 676,736
ER LEVEL V	99285	68	528	\$941.50	\$ 432,902
CRITICAL CARE	99291	85	85	\$1,506.45	\$ -
		<u>5,278</u>	<u>5,278</u>		<u>\$ 1,458,782</u>

- Are the results of the visit volumes you are generating what you would expect?

Chargemaster Areas to Monitor

- Emergency room - professional

Description	CPT Code	Current Volume	"Expected Bell Curve Volume"	Physician Charge	Difference in Gross Charges if at "Expected Bell Curve"
ER LEVEL I	99281	445	420	\$102.65	\$ (2,607)
ER LEVEL II	99282	1,333	839	\$147.95	\$ (73,058)
ER LEVEL III	99283	1,545	1,675	\$246.60	\$ 32,157
ER LEVEL IV	99284	793	839	\$376.05	\$ 17,374
ER LEVEL V	99285	77	420	\$591.10	\$ 202,511
CRITICAL CARE	99291	3	3	\$797.25	\$ -
		<u>4,196</u>	<u>4,196</u>		<u>\$ 176,376</u>

- If you are billing for all physicians, can you reconcile these visits to the facility visit charges?
- Documentation/other factors can impact physician levels

Chargemaster Areas to Monitor

Emergency room – other charges

- Are you charging for procedures?
 - ◇ Both professional and technical

Chargemaster Areas to Monitor

- Anesthesia
 - Are you charging for professional and technical fees
 - Which method of billing are you doing?
 - Are you using the anesthesia line of your cost report?
 - ◇ Should have costs regardless of method selected

Chargemaster Areas to Monitor

- IV infusion charges
 - Charge capture issues
 - Documentation issues – start and stop Times
 - Test options if services are provided by nursing floor

Chargemaster Areas to Monitor

- Clinic visit levels
 - Perform similar assessment to ER levels
 - Do visit levels matter for rural health clinics?

Chargemaster Areas to Monitor

- Pricing
 - Market based approach
 - Third party payer trends and the impact on the chargemaster
 - Other

Questions?



Thank you

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