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# Uncovering Blind Spots in the Medicare Cost Report

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# Agenda

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- 1 Discover a time-tested methodology to discern any outpatient program success.
- 2 Rank order outpatient CAH services impact.
- 3 Analyze the financial sustainability of a high Medicare population setting.
- 4 Key Takeaways
- 5 Discussion & Raffle

# Uncovering Blind Spots in the Medicare Cost Report

- Founded in 2003, by Dr. James A. Greene, coauthor of the DSM5 and a delegate to the White House Conference on Aging.
- Based in Brentwood, TN.
- Focus on providing Behavioral Health in rural areas.
- Opened 150<sup>th</sup> Senior Life Solutions Geriatric Intensive Outpatient (IOP) program.

# Medicare Cost Report Purposes and Other Uses

## Primary Purposes

- Determination of the Medicare settlement
- Determination of Medicaid settlement (in some states)

## Other Uses

- Used by governmental agencies in consideration of policy setting
  - CMS
  - MedPAC
  - Others
- Benchmarking
  - State Hospital Associations
  - Similar hospitals
- Strategic Analyses
  - “What if” scenarios

# Using the Medicare Cost Report to Discern OP Program Success

## Methodology

- Combine Cost Report program impact with other financial data
  - Includes cost-based reimbursement that is “Critical” to CAHs
  - Often not included on internal departmental financial reports
  - Are Revenue & Usage Reports helpful in making decisions?
  - Useful reports:
    - Accrual basis income statements & Cost Report projections at the departmental level
      - Provides actionable data
- Revenue sources
  - Medicare impact
    - Interim payments & cost-based reimbursement
    - Medicare bad debt
  - Medicaid
    - Cost-based reimbursement or PPS payments
    - Variation between inpatient and outpatient payment policies
  - Commercial insurance, self-pay, co-insurance, co-pays, and deductibles
  - Professional Fees (excluded from the Cost Report)

# OP Program Cost Report Analysis

- “What if analysis” (using cost reporting software)
  - Measure the Medicare Reimbursement using the filed Cost Report
    - Wkst E, Part B, L21C1 - Outpatient
    - Wkst E-2, L12C1 - Swing Bed
    - Wkst E-2, Part V, L6C1 - Inpatient
  - Remove the program from the Cost Report
    - Remove gross charges on Wkst C Part 1 and Medicare gross charges on Wkst D part V
    - Remove expenses from the Wkst A series
      - Wkst A Trial Balance
      - Wkst A-6 Reclasses
      - Wkst A-8 Adjustments
    - Reposition program space to Administrative & General (or other non-clinical space)
    - Recalculate the Medicare Reimbursement using the Cost Report
    - Calculate the program impact

# OP Program Cost Report Analysis - Example

## OP Occupational Therapy Program

Medicare Reimbursement	373,243
Direct Program Costs	349,340
<b>Net Medicare Impact</b>	<b>\$ 23,903</b>
Non-Medicare Program Charges	233,017
Expected Payment Rate on Non-Medicare Charges	34%
Net Revenue - Non-Medicare	79,226
<b>Net Program Impact</b>	<b>\$ 103,129</b>

# Rank Order Outpatient CAH Services Impact

Hospital	Program	Cost Report Impact	Non-Medicare		Program ft2	Medicare Utilization %
			Charges			
A	Sleep Clinic	\$ (25,520)	\$ 668,907		1,395	58%
A	Diabetic Education	\$ (186,447)	\$ 415,077		707	25%
B	Occupational Therapy	\$ 40,303	\$ 273,335		3,812	68%
B	Sleep Clinic	\$ 23,841	\$ 306,338		737	74%
C	Sleep Clinic	\$ (52,436)	\$ 204,598		355	42%
C	Occupational Therapy	\$ 23,903	\$ 233,017		1,200	79%

## Observations

- Higher Medicare Utilization programs produce a higher Medicare impact
- Higher program ft2 is correlated to higher Medicare impact



# Analyze the Financial Sustainability of a High Medicare Population Setting

Room & Board	Ancillary
Medicare Days	Medicare Charges
÷ Total Patient Days	÷ Total Revenues
= Medicare Utilization %	= Medicare Utilization %
X Costs	X Costs
= Medicare Costs	= Medicare Costs

# Cost Apportionment Formula Rearranged Algebraically

## ● Cost Apportionment Formula

Room & Board	Ancillary
Costs	Costs
÷ Total Patient Days	÷ Total Revenues
= Cost Per Diem	= Cost-to-Charge Ratio
X Medicare Days	X Medicare Charges
= Medicare Costs	= Medicare Costs

# Understanding Costs

## Direct Costs

- Incurred as part of the Outpatient program
  - Salaries & benefits
  - Medical Director
  - Other expenses
- Allowable versus Non-Allowable expenses

## Allocated costs from General Service Departments

- Already incurred as part of hospital operations
- Capital-related Costs
  - Depreciation
    - Newer hospital versus older hospital
- Allocation basis

# Outpatient Rank Order Revisited

Hospital	Program	Cost Report Impact	Non-Medicare		Program ft2	Medicare Utilization %
			Charges			
A	Sleep Clinic	\$ (25,520)	\$	668,907	1,395	58%
A	SLS	\$ 169,227	\$	48,682	2,111	93%
A	Diabetic Education	\$ (186,447)	\$	415,077	707	25%
B	SLS	\$ 239,352	\$	79,826	2,946	97%
B	Occupational Therapy	\$ 40,303	\$	273,335	3,812	68%
B	Sleep Clinic	\$ 23,841	\$	306,338	737	74%
C	Sleep Clinic	\$ (52,436)	\$	204,598	355	42%
C	SLS	\$ 104,330	\$	3,994	942	99%
C	Occupational Therapy	\$ 23,903	\$	233,017	1,200	79%

# Qualitative Versus Quantitative Considerations

## Community Needs Assessments: Mental Health is a Top 3 Need in Most Communities

- 77% of U.S. counties have a shortage of mental health providers.
- 20% of rural residents experience mental illness.

### Unmet Needs of Older Adults

25% of U.S. adults experience a mental health issue.

- 33% of adults become depressed after losing a spouse.
  - 50% remain depressed a year later.
- 25% of U.S. adults experience a mental health issue.
  - 60% of people experiencing a mental health issue receive no treatment.

# Senior Life Solutions

## Group Psychotherapy Delivered by Program Therapist

- Treatment Modalities
  - Group Therapy
  - Individual Therapy
  - Psychiatric Care
- Physical Care
  - Wellness Assessments
  - Medication Management
  - Case management
  - Common Diagnoses
    - Major Depressive Disorders
    - Generalized Anxiety Disorders
    - Adjustment Disorder
    - Certain Personality Disorders

# Patient Outcomes

- Reduced Emergency Room visits and hospitalizations
- Reduced polypharmacy
- Improved quality of life
  - 90% of patients show improvement
  - 50% show significant improvement

# Senior Life Solutions Summary

- Providing an unmet mental health need of older adults
- Addressing a top need identified in Community Health Assessments
- Reduction in Emergency Room visits and polypharmacy
- Proactive engagement with the community
- Financial impact
  - Repurposing non-revenue generating space
  - Providing revenue sources to address other unmet needs
- Ongoing Medicare Cost Report support and consulting



# Uncovering Blind Spots in the Medicare Cost Report

# Any Questions?

# Contact Us

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