

Medicare Cost Report Update – Four Ways to Improve Accuracy

Presented: August 26th, 2021



Agenda

- Matching Principle
- Basic Reimbursement Principles
- Four ways to improve accuracy
 1. Wage index hours analysis
 2. Impact of WS A-6 reclasses on other cost report areas
 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 Principles

The 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.

Basic Reimbursement Principles

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

1

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

1

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

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Downstream Impact of A-6 Reclasses (a.k.a. the “Domino Effect”)

- In the Medicare cost report preparation process, there are many instances of an analysis or an issue that happens on one page of the report that has a direct relationship to information later on in the cost report.
- It is important for the preparer to identify all of the downstream impact of the information analysis or issue.
- Although there are many different types of downstream impacts, we will specifically review the impact of A-6 reclasses, particularly as it relates to wage index.

Downstream Impact of A-6 Reclasses (a.k.a. the “Domino Effect”)

- Perform an analysis of the impact for each reclass in one location and reference the results (Copy, VLOOKUP, WP Ref) to the appropriate downstream workpapers. Automation on this on is extremely helpful.

Impact of WS A-6 reclasses on other cost report areas –

2

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 another component.
- For every salary reclass, we need to “follow the leader” with the included hours.

Impact of WS A-6 reclasses on other cost report areas –

2

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 other cost report areas –

2

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?

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

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- 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

3

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

3

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

3

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

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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

3

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

4

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

4

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

4

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?
- Are the expenses the same per treatment for these services?
- Besides reclassing expenses and revenues, what other options are there?

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In summary most of these issues can be resolved by the following:

1. Be organized in your workpaper sets.
2. Perform all of the analysis of an issue in one location (specifically A-6s).
3. Maintain a list of the workpapers that have a domino effect.
4. Perform last minute verification that the downstream data is correct.
5. Take the time to prepare and process your workpapers.

Question & Answers

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Thank you

