Reimbursement & Cost Report Strategies

Reducing cost is NOT always the solution.
Summary

- Reimbursement cuts = organizations reduce costs
- Some fixed cost cuts help bottom line, others harm
- Other reimbursement ideas to improve results (NEW)
- Presented today:
  - Areas to scrutinize to optimize reimbursement dollars
  - Situational reimbursement strategies to prevent cuts
  - Getting closer to your desired bottom line with revenue enhancement and appropriate cost cutting
Presentation Outline

• Medicare Cost Report Opportunities
  • Old and New

• Medicare Cost Report Evolution
  • Filing & Amending
  • Re-opening
  • Appealing

• Revenue Cycle Opportunities
AVERAGE HEALTH CARE SPENDING PER CAPITA, 1980–2010

Adjusted for Differences in Cost of Living

Dollars ($US)

* 2009
Source: OECD Health Data 2012.
Introduction

• Unsustainable healthcare spending in U.S.A.
• Hospital revenues plateau & per capita costs rise
• Value based care replaces fee for service patient delivery
• Patient satisfaction a value-based driver in ACA
• Employee engagement driver in patient satisfaction
• ACA prompting inpatient to outpatient movement
Introduction (continued)

• Organizations reducing waste, notably admin cost
• Industry focus on reducing clinical & patient care costs to improve margins
• 3% decreased IP hospital admissions & 17% increased OP services expected in next 5 years markedly in Rural care (over 50% of care is OP)
• Cost reduction initiatives are necessary, but are not the only remedy to assure profitability
Arm reduction was costly. Fortunately most of his patients had deep pockets.
Get busy livin’, or get busy dyin’.
Introduction (continued)

- Market share strategies and consolidations
  - Volume acceleration initiatives
  - Purchase of physician practices

- Product line analysis and strategies

- Reimbursement and revenue cycle strategies
  - Examine the changing Old (DSH, Bad Debt)
  - Evaluate the New (E.H.R. Incentives)
3 Demandments – “Fight for your rights!”
3 Demandments – Hulk Hogan’s advice

- Training
- Saying your prayers
- Eating your vitamins
3 Demandments For Reimbursement

1. Know reimbursement drivers in your organization
2. Ask questions, at right time, to right people
3. Communicate expected financial results to leadership in an easy to understand fashion
Medicare Cost Report Opportunities

- **“conventional wisdom”** → Medicare cost report is “informational only”, not subject to settlement and there if very little impact.

- **Conventional wisdom** is the body of ideas or explanations generally accepted as true by the public or by experts in a field. Such ideas or explanations, though widely held, are unexamined. Unqualified societal discourse preserves the status quo.
The information on the Medicare cost report is still very important, as settlements do still exist in many instances, and the cost report is used to derive prospective payment amounts.
Therefore, the cost report both directly and indirectly impacts your organization’s reimbursement, and potential opportunities should be closely examined.
The Medicare cost report can help you understand your organization's financial performance by providing a means to:

- Analyze costs
- Assess departmental and payer margins
- Compare performance with the competition
- Qualify for future reimbursement programs
Coach Klein’s Green Playbook
Medicare Cost Report Context

- For profit or not for profit
- Sole Community Hospital, Critical Access Hospital
- Referral Center, Rural Health Clinic
- Home Health Agency
- Allied Health Program (cost based reimbursement)
- Sub-providers (IPF and IRF)
- Teaching Program
  a. Graduate Medical Education (GME)
  b. Indirect Medical Education (IME)
- Medicare Dependent Status
Medicare Cost Report Specifics

- Low Volume Adjustment
- Geographic Reclassifications (due by September 1st)
- Wage Index and Occupational Mix
- Uncompensated Care (WS S-10)
- Certified Registered Nursing Anesthetists (CRNAs) – Rural Hospitals
- Meaningful Use (MU) health information Technology (HIT) Payments
- Medicare Disproportionate Share (DSH) Hospital
Medicare Cost Report Specifics (cont.)

- Reductions - Value Based Purchasing, Readmissions, Sequestration, HCAP
- Medicare Bad Debts
- Organ Acquisition – Cost Reimbursement
- Medicare Cost Outliers (cost-to-charge)
- Interim payments (Reconcile with MAC)
- Protested amounts
- Medicare capital reimbursement
  - A. IME
  - B. DSH (Urban > 100 Beds)
Don’t forget: the cost report impacts other payers!

Don’t be like 10 Second Tom!!
Medicare Cost Report - Other Impacts

• KY Medicaid OP reimbursement, including MCOs (95% of cost, exclude Lab)
• KY workers compensation rate determination, (cost plus equity factor 132% most hospitals)
• Champus/Tricare cost report (capital & teaching settlement)
• Medicaid DSH payments (indigent care cost)
• Medicare advantage reimbursement
• Veterans Administration (VA) reimbursement
• Out-of-State Medicaid reimbursement
Cost Based Opportunities

- Properly match revenues and expenses
- Analyze advertising expense (allowable & non)
- Analyze other income, A8 offset or find non-reimbursable costs
- Fixed asset capitalization policy at $5,000
- Funded depreciation account establishment
- Time studies for Physician costs components
- Contracted therapy services (ensure contracts do not exceed reimbursement limitations)
Cost Based Opportunities (cont.)

- Fragmentation of administrative & general cost center
- Dollar value for allocation statistic – major moveable equipment
- Square footage study – allocation statistic
- Simplified method for allocation of general service/overhead cost centers
- Discrete costing/direct assignment opportunities
- Medical records time spent allocation statistic
Cost Based Opportunities (cont.)

- Worksheet A8 offset of contributions and grants, (including interest income), not required
- Adjustment for employee patient encounters if hospital is self insured, (payments less than cost)
- Kentucky Provider Tax, allowed net of benefit received
- Meaningful Use HIT payments, no cost offset required
- Handling of Interest Rate Swaps
- Home office cost allocations, based on actual costs incurred by related party
- Worksheet C gross charges adjustments
Is your brain about to explode from information overload?
Medicare Cost Report Edits

- Amending Cost Report
- Cost Report re-openings (3 years from NPR date)
- Medicare SSI ratio change (Medicare DSH)
- Medicare DSH appeals
- Outlier threshold amount appeal
- Rural floor appeal
- Two midnight rule appeal
- Medicare Bad Debt appeal
- Individual hospital appeal
Revenue Cycle Operations Opportunities

1. Maintain convenient & caring touch points with patients
2. Benchmark & trend your healthcare data
3. Mine healthcare data to discover roadblocks
4. Constantly ask the frontline for suggestions
5. Monitor all payer contracts
There are many, many ways to increase your organizations profitability through revenue cycle enhancements!
Revenue Cycle Opportunities (cont.)

• Admissions and Registration function
• Front end collections
• Front end edits
• Certified coders
• Concurrent DRG Reviews-support documents key
• Backend DRG Reviews
• Handling of late charges
• Charge Master review (Strategic Pricing)
• Charge Capture audits (Medical Records Review)
Revenue Cycle Opportunities (cont.)

- Electronic remittance posting
- Payment variance reviews
- Credit balance reviews
- Claims subrogation review (Private Ins. vs Medicare)
- Denials management program
- Self-Pay collections (outsource)
- Medicare transfer DRGS
- Outsourcing of old Accounts Receivable
Revenue Cycle Opportunities (cont.)

- Managed care contract reviews (must haves):
  A. Favorable termination clause
  B. Discounts for steerage of patients
  C. Protection from changes to the provider manual

- Handling of ERISA claims (ACA Impact)
- Global billing
- Physician billing
- Two midnight rule
- RAC audits and appeals
Conclusion

• Understanding key reimbursement drivers will identify potential opportunities for organization

• Asking right questions to right people at right time will create a strategy for implementing change and increasing revenues

• Communicating expected financial results to organization leadership will influence their decisions
Use the 3 Reimbursement Demandments and your organization will be a Champion!

Ohh Yeaaa!!!
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