

Critical Access Hospitals

Cost Report

General Requirements

- 25 acute inpatient beds or less
- Located more than 35 miles from another hospital (exceptions may apply for mountainous terrain)
- Maintain an average length of stay of 90 hours or less for acute care patients (excludes swing bed)
- Must provide 24/7 emergency care services

Reimbursement

- Medicare reimburses CAH's based on **allowable** costs +1%
 - Costs reported on Medicare Cost Report
 - Similar to a tax return
 - Filed 5 months after year end
 - Interim payments
 - Based on historical costs as claims processed
 - Final settlement
 - Based on Medicare Cost Report

Reimbursement

- ◎ Allowable versus unallowable
 - > Unallowable if not related to patient care
 - Patient phones/televisions
 - Advertising
 - Physician recruitment
 - Lobbying

Reimbursement

◉ Cost-based reimbursement from Medicare

> Allowable cost centers

- Medical/Surgical Therapy
- Operating Room
- Lab
- Radiology
- Physical Therapy
- Occupational Therapy
- Speech Therapy
- Provider Based Clinic
- Respiratory
- Emergency Room
- Cardiology
- Pharmacy
- Supplies
- Cardiac Rehab
- Swing Bed

Reimbursement

- Non-reimbursable examples
 - > Home Health
 - > Hospice
 - > Skilled Nursing Facility (different from swing bed)
 - > Assisted Living
 - > Meals on Wheels
 - > Daycare
 - > Non Provider-based clinics
 - > Wellness Centers

Reimbursement

- Medicare reimburses costs on a department by department basis (called cost centers)
 - > Inpatient reimbursement: Daily per diem
 - > Ancillary departments: % of charges

Misunderstandings

- ◎ Common misunderstanding
 - > All CAH's get 101% of their costs paid back from Medicare
 - Offsets (unallowable) are typically 5-10% of total cost so reimbursement is more like 91% or 96%
 - > Why not increase costs?
 - Medicare/Medicaid are the only payors who pay this cost
 - Must be able to be profitable in other services provided to other payors

Another misunderstanding

- ⦿ Increasing allowable costs will increase revenues and profitability
- ⦿ As costs go up, the increase in reimbursement is limited to the Medicare utilization of that department
 - Medicare profitability is stable
 - Profitability of other payors goes down since costs are up
- ⦿ As costs go down, the decrease in reimbursement is limited to the Medicare utilization of that department
 - Medicare profitability is stable
 - Profitability of other payors goes up since costs are down

Ambulance Reimbursement

- If no other ambulance service within 35 miles, CAH can get reimbursed 101% of cost
- If ambulance service within 35 miles, considered non-reimbursable service and get paid fee schedule per run

Examples

● Current

- > Supply Expense = \$100,000
- > Supply Revenue = \$400,000
- > CCR = .25
- > Medicare Utilization = 50% (\$200,000)
- > Medicare Pays = \$50,000

Examples

● Updated

- Supply Expense = \$100,000
- Supply Revenue = \$500,000
- CCR = .20
- Medicare Utilization = 40% (\$200,000)
- Medicare Pays = \$40,000

Examples

◎ Current

- › Costs: \$10,000
- › Revenue: \$20,000
- › Cost to Charge Ratio: .5
- › Medicare Utilizations: \$5,000 (25%)
- › Medicare Reimbursement: \$2,500

Examples

- If costs go up by \$10,000, revenue stays the same
 - > Costs: \$20,000
 - > Revenue: \$20,000
 - > Cost to Charge Ratio: 1.0
 - > Medicare Utilizations: \$5,000 (25%)
 - > Medicare Reimbursement: \$5,000
- Reimbursement up by \$2,500 but costs up by \$10,000 for negative effect of \$7,500.

Examples

- If Medicare revenue goes up by \$10,000, costs stays the same
 - > Costs: \$10,000
 - > Revenue: \$30,000
 - > Cost to Charge Ratio: .333
 - > Medicare Utilizations: \$15,000 (50%)
 - > Medicare Reimbursement: \$4,995
- Revenue up by \$10,000 for positive effect of \$14,995 (additional Medicare revenue plus reimbursement)

Shared Savings Opportunities

- Transitional Care Management
- Chronic Care Management
- Increasing swing bed utilization
- Improving access
- Saving time in an office visit
- Becoming a team member of the Patient Centered Medical Home (PCMH)