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Best Practices – Medicaid Community Health Center Cost Report

Accurately and Effectively Reporting Costs!

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Agenda

1hr	• Preparation Guidance • Schedule Walkthrough and Directions
30min	• Review of Common Errors • Correction Methods • Question and Answer Session

Community Health Center Cost Report

- Filed on State's website – iNet
  - Use Internet Explorer; not Chrome
  - In internet Explorer, you will need to revert back to version 5 or 7. Email Courtney McFarland (cmcfarland@aafcpa.com) for help with this, OR, call iNet helpdesk.

Community Health Center Cost Report

Purpose of Filing

1. Helps to set Medicaid rate for future years

2. Helps to identify trends in other costs such as:
   - Behavioral Health
   - Dental costs
   - Pharmacy costs

Note: Rate is not calculated as part of the cost report schedules. Rate must be calculated offline.

Community Health Center Cost Report

Due Date:

- 2016 and 2017 Medicaid filings were not originally required on the traditional due dates

- 2017 fiscal year reports are due on June 26th, 2018

- 2016 will be satisfied through the submission of the audited financial statements

Importance of Accurate Reporting

History: 2015 CHC reports were filed as required. When CHIA reviewed the calculated rates using their methodology, the cost per visit rates ranged from $2 to just over $200.

The median cost per visit calculated by CHIA for the 2015 cost reports was $**133.21**. The League expected a median rate closer to $150 without limits to the rate imposed via CHIA's methodology.

MLCHC worked with CHIA to allow the 2015 reports to be re-filed. This will likely not be allowed for the 2017 reports.

After the correction and refiling; CHIA calculated the new reimbursement rate at 105% of the 40th percentile - $**158.**

Estimated Rate Calculation

Overview – Total Allowable Costs

Total Allowable Costs*	=	Adjusted Cost Per Visit
Total Adjusted Visits**		

Total medical and related expenses:

Programs: Medical, Urgent Care, Support Social Services and Support Other

Less: Overhead limited to a maximum rate

*** Total Allowable Costs**

Estimated Rate Calculation

Overview – Total Adjusted Visits

Total Allowable Costs*	=	Adjusted Cost Per Visit
Total Adjusted Visits**		

Total Visits (billable and non-billable) by qualified providers
Total FTE of qualified providers (Based upon Schedule A)
Adjusted to: Productivity standards per State standards
** **Total Adjusted Visits**

Preparation – Schedule N

General information of the Health Center

- Address
- Fiscal Year
- Additional Cost Centers (HIV, Substance Abuse…)
  - Centers that are significant, but not already broken out on the report
  - If more than 3 additional cost centers, use 2 biggest and combine remaining
- Contact Information

Information links to other schedules

- Cells which link cannot be typed into

Preparation – Schedule A

Staffing Categories (Y axis), Cost Centers (X axis)

- Employee Count and FTE
  - FTE is based on hours PAID
- Salaries
  - Should tie in total to the audited financial statements
  - Contracted direct care expenses are recorded on Schedule A therefore total Schedule A costs may NOT tie to the audited financial statements. This can be documented in the expense reconciliation completed at the end of the report.
  - Check directions for detailed instructions on placement of staff
- Encounters
  - Should be ALL visits (billable and non-billable)
  - This is a productivity measurement; not billable visit measurement

Preparation – Schedule A

Provider Administrative Time:

- For those held to productivity standard
- Supervisory and Paperwork
- Re-class administrative FTE and Salaries to Administration.
- Should not move provider administrative time to Support Other as the instructions note that Support Other is for those who are spending time directly with a patient that is not “medical” (such as translation and transportation).

Allocation:

- Consider employees who should be allocated to various cost centers instead of shown all in one

Preparation – Schedule A

Cost Centers

- Administration
- Medical
- Urgent Care (Extended Hours - Emergency)
- Residency
  - Medical and Urgent Care
- School Based Health Centers
- Laboratory
- X-Ray
- Pharmacy
  - If contract pharmacy only, enter total prescriptions processed to line 27

Preparation – Schedule A

Cost Centers

- Dental
- Mental Health **(Certified Mental Health Programs Only)**
- Support Social Services
  - Social counseling activities which assist primary care in meeting family and community needs related to health care
- Wellness
  - Nutrition therapy, diabetes self-management, tobacco cessation
- Support Other
  - Patient transportation, translation and etc.

Preparation – Schedule A

Cost Centers

- Family Planning
  - Certified family planning programs only
- WIC
- Other Programs
  - Program funding separate (another state program)
  - Substance Abuse, HIV, Homeless, Vision and etc.
  - Summarize services on Schedule N

Preparation – Schedule A

Common Issues:

1. Using billable visits instead of all visits **(hurts productivity)**
2. Incorporating all the following support service costs in one cost center instead of allocating:
   - Housekeeping
   - IT/Technical Support
   - Translation/Front desk
   - Billing/Medical Records
3. RNs and LPNs who support provider and provide no visits should be included in “Support Other” instead of Medical column
4. Dental procedures AND visits are required

Preparation – Schedule BRG

For **restricted** grants only

Restricted grants are those that are meant to fund a specific cost or costs (offsetting revenue) and therefore should be netted with the cost

BRG ≠ Temporarily Restricted Grants

- A time restricted grant to be used for general operations would NOT go on this schedule even though it would be considered temporarily restricted assets on the audited financial statements
- A cost reimbursable contract to fund a particular program would be listed on this schedule, but not as restricted per the audited financial statements

Key is: Is revenue offsetting a specific cost?

Preparation – Schedule BRG

- Restricted grant categories (drop down)
  - Federal
  - State Unit Cost (reimbursed at a unit cost per units billed if based upon a negotiated budget)
  - State Cost Reimbursable (reimburse all costs within predetermined ceiling)
  - Local
  - Private
  - Donated

- Restricted grants are required to be allocated to the applicable cost centers for which they fund costs. This allocation should be consistent with the way expenses are allocated on Schedule D.

Preparation – Schedule BUG

- For Federal and State unrestricted grants only

- Unrestricted grant categories (drop down)
  - Federal
  - State

Note: 330 Grant shown on this schedule – Federal

Preparation – Schedule BS

- Summary of Schedule B RG & B UG amounts
- Links over to Schedule B2 (Revenue Summary)
- Should review total amounts and amounts by program to the prior year for reasonableness given the changes in restricted grants between years

Preparation – Schedule B-1

TOTAL ALL PAYORS	(A) Accounts Receivable Beginning This Period	(B) Full Charges And Premiums During This Period	(C) Amount Collected During This Period	(D) Adjustments Contractual Adjustments (1)	(D) Adjustments Free Care (2)	(D) Adjustments Bad Debt (3)	(D) Adjustments Other (4)	(E) Accounts Receivable Ending This Period
TOTAL								

A	Accounts Receivable per the prior year audited financial statements & Schedule B-1
B	Gross charges for the period
C	Cash collected for the period (plug)
D1	Contractual adjustments for the period (should tie to audited financial statement footnotes)
D2	Freecare adjustments for the period (should tie to audited financial statement footnotes)
D3	Bad debt for the period (should tie to audited financial statements)
E	Ending Accounts Receivable per the current audited financial statements

Note: B - D1 - D2 should equal Net Patient Service Revenue per the audited financial statements

Preparation – Schedule B1

Line Number	Payer	(F) Total Medical Visits	(G) Total All Visits
1)	Medicare		
2)	MassHealth - Fee For Service / PCC Plan		
3)	MassHealth - MCO		
4)	MassHealth - Dental		
5)	Massachusetts Behavioral Health Partnership		
6)	Commonwealth Care		
7)	Health Safety Net Trust Fund		
8)	Children's Medical Security Plan		
9)	Healthy Start		
10)	Other		
11)	Commercial / Private Third Parties		
12)	Patient Fees / Self Pay		
	TOTAL		
Please Note: These visit totals DO NOT include visits directly related to grant funding and WILL NOT tie to visit totals on Schedule A.			

- Should be billable visits only
- Medical only in column F, all in column G

For example: Mental health and dental visits would only be reflected in column G

Preparation – Schedule B2

Section A.
Enter Net Patient Service Revenue by payor; the revenues should match the visits just entered on Schedule B1

Section B.
Federal and State grants will flow from Schedule BUG. Enter Local and Private unrestricted grants in total

Section C.
Flows directly from Schedule BRG; no data entry required

Preparation – Schedule B2

Section D.

Enter various other revenues per the audited financial statements and in order to tie revenue in total to **unrestricted revenues**

- Bad debts are included on this schedule and will become a reconciling item to the audited financial statements (on reconciliation schedules)
- Include capital grants here
- Include non-operating revenues and expenses here

Preparation – Schedule Allocate

- Data on this schedule flows to Schedule D (expenses)

- Entered in two sections
  - Specified costs/lines – Schedule D1
  - “Other” costs – Schedule D2

- The schedule was designed to allow for allocation of costs by statistical data (square footage, visits or direct), however, it is typically not robust enough to properly allocate and capture costs by department

- Major expense line items are broken out; if the FQHC has additional material expenses, lines should be added to capture those costs

- If you are doing your own allocations outside the system, choose “direct” as the allocation methodology

Preparation – Schedule Allocate

Common Issues:

1. Incorporating all the following support service costs in one cost center instead of allocating:
   - Housekeeping
   - IT/Technical Support
   - Translation/Front desk
   - Billing/Medical Records

2. Allocating occupancy and rent to administration
   - Occupancy costs can be directly allocated to each cost center for which they are related

Preparation – Schedule D

- Links directly to Schedule A for Salaries and Contracted Services
- Links directly to Schedule Allocate (D1 and D2)for other expenses
- Remember to enter accrued salaries, fringe benefits and payroll taxes on this schedule (only item entered on Schedule D). These should tie to the audited financial statements.

Preparation – Schedule D

Check Your Work!

- Once Schedule D is complete, review line 41 by Cost Center to ensure no cost centers are negative. If a cost center is negative, it is likely that restricted funding is not properly offsetting costs
- Do program cost centers generally align with the audited financial statements?
- Do major expense categories (rent, depreciation, occupancy and etc.) tie to the audited financial statements?

Preparation – Schedule F

- Target population
- Service information
- Maximum Capacity and Future Capacity
- Unduplicated Users, Male & Female, Medical and Dental

Preparation – Reconciliation Schedules

Revenue and Net Patient Service Revenue

Differences could include:

- Capital Grants
- Bad Debt
- Changes in Temporarily Restricted Net Assets

Expense and Salaries

Differences could include:

- Bad Debt
- Benefits (if included in salaries on FS)
- Contracted Salaries

Rate Calculation

Rate per Visit Calculation

The report does not calculate a cost per visit automatically

Calculate the estimated cost per visit for medical services:

1. Total costs in Medical, Urgent Care, Support Social Services and Support Other.
2. Divide by the number of visits provided in these areas

The unadjusted true rate should be above $190

Rate Calculation

Rate per Visit Calculation – *Considerations and Potential Adjustments*

Estimated calculation may include:

1. **Administrative Cap** – limiting administration allocated to medical programs
2. **Productivity Standards** - Visit producing providers are held to productivity standards (may be higher than the old Medicare cost report expectations)

Submission

Once complete, submit the cost report through iNet. Follow up the submission with an email to hcf.data2@state.ma.us with:

1. An electronic copy of the 2017 audited financial statements
2. An electronic copy of the 2017 FQHC Medicare cost report
3. An electronic copy of the 2016 audited financial statements

Community Health Center Cost Report

iNet Tips and Tricks

- If you need help gaining access to iNet, please contact Courtney McFarland (cmcfarland@aafcpa.com)
- iNet is an excel spreadsheet on the backend. Copy and pasting typically causes calculation issues in the report rendering it un-usable. Hard code all values.
- If values are entered on a schedule, but the schedule does not properly flow to another schedule or do not properly total:
  1. Find a blank line on the schedule and type any number in the cell
  2. Hit Save
  3. Go and delete the value in the cell
  4. Hit Save
  5. If this did not fix your issue, call iNet helpdesk
- **Save Often!**

Community Health Center Cost Report

Review Common Errors and Fixes

Schedule A – Salary and FTE

Error #1:

Incorrect allocation of administrative hours for providers.

- MD & Purchased MD
- PA
- NP
- RN

The above providers are held to a productivity standard.

Example:

An MD who spends 20% of their time training other providers.

Schedule A – Salary and FTE

Error #1:

Incorrect allocation of administrative hours for providers.

Correction:

- To calculate FTE use all hours PAID (not hours worked).

- Determine the percentage of time the provider was performing administrative tasks (paperwork, training and etc.) and allocate that portion of salary and FTE to the "Administration" column. *Vacation and sick time should NOT be reclassified to administration.*

- Keep all visits in the applicable program column (Medical, Urgent Care, SBHC and etc.).

Schedule A – Salary and FTE

Error #2:

Improper allocation of medical records, billing, IT and security/facility staff.

Example:

- Medical records and billing staff included only in the administration or support other column.
- IT, security/facility staff included only in the administration column.

Schedule A – Salary and FTE

Correction:

These staff types should be allocated to all applicable programs unless they only truly support one program. (i.e. – a medical records clerk who only works in dental, should be 100% in the dental program)

Allocate based upon the *best indicator* of expense attributable to each program. We typically see these staff allocated based upon:

- Medical records, billing and IT should allocated to all applicable programs based upon ***visits*** provided by those programs.

- Security/Facility staff allocated to all applicable programs based upon ***square footage*** occupied by those programs.

Schedule A – Salary and FTE

Error #3:

Improper allocation of staff who are funded by restricted grants.

Example:

- An NP who splits her time between SBHC and Medical. The portion of time spent in Medical is funded by a restricted grant.

Schedule A – Salary and FTE

Example:

- An NP who splits her time between SBHC and Medical. The portion of time spent in Medical is funded by a restricted grant.

Correction:

- Staff funded by restricted grants **must** be allocated to the same program in which the restricted grant funding is applicable and reported on the cost report.

- In the above example, restricted grant funding will be **subtracted** from the Medical program on Schedule D. The portion of salary funded by the restricted grant should be shown in the Medical column on Schedule A.

- If all costs are erroneously shown in SBHC, the restricted grant improperly offsets true, unreimbursed, medical costs.

Schedule BRG – Restricted Grants

Error #1:

Improperly including the Federal 330 grant, or other unrestricted grants on this schedule.

Correction:

- Grants to support the general operations of the Center are unrestricted.

- Capital grants are considered **unrestricted** for purposes of the cost report and are included on Schedule B-2.

- Meaningful use grants are considered **unrestricted** for purposes of the cost report and are included on Schedule BUG.

Schedule BRG – Restricted Grants

Error #1 (Continued):

Improperly including the Federal 330 grant, or other unrestricted grants on this schedule.

Correction (Continued):

- Time (only) restricted grants are considered unrestricted for the cost report as well as grants that don't pay for specific costs. *(They may be shown as restricted on the audit, but not for purposes of the cost report).*

- Restricted grants for the purposes of the cost report are those that are restricted for certain expenses:
  - To fund an employee
  - To fund medical supplies
  - To fund rent

Schedule BRG – Restricted Grants

Error #2:

Improperly allocating restricted grant revenue to match the applicable expense.

Example:

A major private restricted grant funds both the School Based Health Center program (40%), and the Wellness program (50%). There is also an administrative portion of the grant (10%).

Correction:

The grant should be allocated to each of the above programs based upon the %s shown above. Additionally, the costs covered by this grant should be shown in the programs as they are noted above.

Schedule D – Operating Expenses

Error #1:

Improperly allocating patient support and facility expenses.

Example:

Facility has its own department and is segregated in the general ledger. All facility costs are shown in the administration column.

Correction:

Facility costs should be allocated to each program based upon direct costs incurred, or the best estimate of cost per program. Most common allocation methodology is square footage occupied by each program.

Schedule D – Operating Expenses

Error #1:

Improperly allocating patient support and facility expenses.

Correction:

Patient support costs should be allocated to the programs of the Health center based on actual costs incurred, or the best estimate of cost per program. Most common allocation methodology is visits provided by program (cost report column).

Schedule D – Operating Expenses

Error #2:

Improperly allocating expenses in alignment with restricted grants forcing a *negative* expense on line 41.

Example:

36	TOTAL Operating Expense	74,616
37	Applied Administrative Grants/Gifts/Donations	
38	NET OPERATING EXPENSE	74,616
39	Administrative Allocation	13,382
40	All Other Applied Grants/Gifts/Donations	220,473
41	ACTUAL OPERATING EXPENSE	-132,475

In the above example, restricted grants applied exceeded total expenses of the program.

Schedule D – Operating Expenses

Error #2:

Improperly allocating expenses in alignment with restricted grants forcing a *negative* expense on line 41.

Correction:

Ensure that restricted grant revenue and the corresponding expenses are shown in the same programs (columns) throughout the cost report.

Questions?

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Thank You!