

# MANAGING YOUR COST REPORT & MAKING IT WORK FOR YOU



# AGENDA

- The basic cost report as you file it
- Information you can find in the cost report
- Ways to manipulate filed cost report to work for you



## THE BASIC COST REPORT AS YOU FILE IT:

Based on Medicare's definition of cost per the Principles of Reimbursement

- Part A or facility costs only
- Eliminates Part B or professional costs
- Eliminates miscellaneous income
- Eliminates investment income
- Eliminates non-allowable costs



## **OTHER SPECIFICS OF THE BASIC COST REPORT:**

### **Information used for Medicare purposes:**

- Calculates settlement to or from Medicare
- Will be used in future years for rebasing – SCH, MDH, wage index
- Was used as the basis to move FQHCs to a Prospective Payment System

# WHAT WILL YOU FIND IF YOU READ YOUR COST REPORT?

- Number of beds, days, discharges, FTEs (S-3)
- Cost of uncompensated care (S-10)
- Total, reclassified and adjusted expenses (A)
- Cost of professional services (A-8-2)
- Fully allocated costs (B Part I)
- Statistics and cost of overhead services (B-1 Unit Cost Multiplier)
- Facility charges (C)
- Ratio of cost to charges - ancillary care (C)
- Cost per day - routine care (D-1)
- Cost per encounter – RHC (M-3)
- Medicare reimbursement and settlement (D and E series)



What can you  
do with your  
cost report?





## WHAT TO DO WITH THE INFO YOU FOUND?

- Determine trends and operational issues
- Estimate cost of renting space to others
- Identify cost centers with high cost and low charges
- Identify cost being allocated to non-reimbursable cost centers
- Determine if there are opportunities to allocate costs more advantageously

# MANIPULATION OF THE FILED COST REPORT

## THE COST REPORT SOFTWARE CAN BE USED FOR OTHER THAN FILING THE COST REPORT.

Evaluating the reimbursement impact of operational or environmental changes  
(Estimate impact of Medicare disallowing tax)

Get back to the basics  
(ignoring Medicare's Principles of Reimbursement)  
for costing

Prepare a budgeted cost report





## WHAT IFs:

- Patient days increase by 200
- Nursery and labor & delivery services are eliminated
- Cuts of \$500,000 of expenses are needed to balance the budget  
(A reduction in force of 40 employees is needed to balance the budget)

## **ALL CUTS ARE NOT CREATED EQUAL!!!**

- A physician retires and offers to sell the practice

**FORGET THE MEDICARE PRINCIPLES OF REIMBURSEMENT  
RESULTS IN FULLY ALLOCATED COST BY COST CENTER  
COMPARED TO TOTAL CHARGES**

What is your  
actual cost per  
day?

Are any RCCs  
greater than 1?

What is the true  
cost per  
encounter in  
your RHC?

What are your  
RCCs if you  
leave  
professional  
(Part B) cost  
and charges in  
the cost report?



## **PLEASE ...**

- Don't just throw the as-filed cost report in your drawer until you are ready to file next year's cost report.
- There is valuable information in the cost report if you know where to look.
- You can work with this information to assist you in your continuing operations.

# QUESTIONS?

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