How to Maximize the Value of the New Cost Reporting Requirements through its Use as a Management Tool

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CONFUSED
Hospice Cost Report as Management Tool

- Why use the cost report for financial management?
- Filed on an annual basis: trend your organization from year to year.
- Can be used on an internal quarterly basis to trend your organization from quarter to quarter.
- The Accuracy of Cost Report is only as good as the data that is entered to complete it.
### Frequency of Preparation of Hospice Cost Report

- **In the First Year it should be done minimally each Quarter**
  - To Validate that Hospice has all the data necessary to complete the Cost Report
  - Chart of Accounts has been expanded to include all expense categories on new Hospice Cost Report
  - Compute Cost per Day for reasonableness to assure accuracy of data

### Frequency of Preparation of Hospice Cost Report

- **Even if Hospice uses an outside contractor to complete the cost report at the end of the year, they can only file an accurate cost report if the information is available.**
- **Contact your Cost Report preparer before the start of the year to understand the process and what information will be needed.**
### Frequency of Preparation of Hospice Cost Report

- Information from these cost reports may be used for future Hospice Payment refinement or rebasing of the Hospice per diem rates.

![Image](image.png)

### Data No Longer Available on Cost Report

- **Skilled Facility Days**
  - Must report contracted Respite and GIP days by Payer

- **Length of Stay**
  - Information on old cost report was not accurate
  - Average Length of stay should be computed using all your discharges in that year/month.

- **Census Data** - (can be calculated)
  - Need to compute
  - Average Daily Census (Total Days / 365 days)
Management Tools Created by New Hospice Cost Report

- Budgeting
  - Develop Assumptions off the cost report
  - Use cost report as monitoring tool against budget
  - Prepare quarterly cost reports

- Benchmarking: (Medicare Benchmarks)
  - Nationally
  - By State
  - Internally by location
  - By Competitor

COMPETITOR ANALYSIS
Management Tools Created by New Hospice Cost Report

• Market/Competitor Analysis
  • Cost Per Day by Level of Service
  • Cost per day for Ancillary Services
  • Profit and Loss by Level of Service
  • Gross and Net Profit Margins
  • Average Daily Census
  • Market Share (by days and Census)
  • Payer Mix (Medicare, Medicaid & Other)

Management Tools Created by New Hospice Cost Report

• Market/Competitor Analysis
  • Payer Mix (Medicare, Medicaid & Other)
    • Medicare (Medicare Days / Total Days)
    • Medicaid (Medicaid Days / Total Days)
    • Other (All Other Days / Total Days)
  • New Expanded General Service Cost Centers
    • Nursing Administration
    • Routine Medical Supplies
    • Medical Records
    • Physician Administrative Services
Competitor Data

- Obtain competitor cost reports to benchmark against.
  - CMS Medicare Cost Reports
    - Health Care Cost Report Information System (HCRIS) available to anyone: internet go to CMS, Research, Statistics, Data and Systems, Cost reports
      - Do a data dump in Access, write queries
      - Or, purchase a DVD for $100
    - Also accessible through Freedom of Information Act Request

Type of Information from Hospice Cost Report

- Cost Per Day:
  - Level of Care
    - Routine Home Care
    - Continuous Care - hourly
    - Inpatient Respite
    - General Inpatient
  - Total
  - Direct
  - Indirect
### Type of Information from Hospice Cost Report

- **Cost Per Day:**
  - Supplies
  - Home Medical Equipment
  - Pharmaceuticals
  - Transportation
  - Non Reimbursable:
    - Telemedicine
    - Bereavement
    - Volunteer Services
    - Fund Raising
    - Advertising

### Non-Reimbursable Cost – Fund Raising Tool

- **Non-Reimbursable Costs**
  - Bereavement
  - Telemedicine
  - Volunteer Costs
  - Advertising

- **Fund Raising Tool**
  - Non Profit Hospices should Accumulate all your non reimbursable costs and use that as a goal to raise money to fund those cost not reimbursable by Medicare
  - Use dollar amount in Fund Drive to potential donors
Other Non Reimbursable

- Cost that can be measured as a percentage of Revenue or total Expenses for benchmarking purposes
  - Thrift Shops
  - Fund Raising
  - Palliative Care

Type of Information from Hospice Cost Report

- Direct Cost per Day
  - RN
  - LPN/LVN
  - Nurse Practitioner
  - Physician Services
  - Home Heath Aide Services
  - Physical Therapy
  - Occupational Therapy
  - Speech Therapy
  - Medical Social Service
  - Labs and Diagnostics
### Type of Information from Hospice Cost Report

#### Profit and Loss:
- By Payer
- By Level of Service

This will enable the Hospice to concentrate on those services they are losing money on.

Example if the hospice was losing money in Routine Home Care they would look at the following:
- Patient Caseload
- Productivity – Length of Visit
- Mileage costs
- Site of Care
- Cost of Ancillaries (Supplies, Pharmaceuticals, DME)

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#### Hospice will now be able to componentize the cost per day for all levels of care

#### Breakdown the cost per day as follows:
- Nursing Salaries
- Therapy Salaries/costs
- Benefit Costs
- Supplies
- Mileage
- Pharmaceuticals
- Etc, Etc
## Key Metrics

**Key Metrics to Manage**

- The following metrics can be measured overall, by payer and by level of care.
  
  - Revenue per day (Net Patient Revenue divided by Days)
  
  - Gross Profit (Net Patient Revenue minus Direct Expenses)
    
    - Continuous & Routine Care: Direct costs should be taken from Worksheet B, Column 0, Lines 50 & 51 respectively, plus allocation from Worksheet B, Column 3 (Employee Benefits), Column 12 (Staff Transportation) and Column 14 (Pharmacy)
    
    - Inpatient Respite & GIP: Direct costs should be taken from Worksheet B, Column 0, Lines 52 & 53 respectively, plus allocation from Worksheet B, Column 3 (Employee Benefits), Column 6 (Laundry & Linen), Column 7 (Housekeeping), Column 9 (Dietary) Column 12 (Staff Transportation) and Column 14 (Pharmacy)

## New Expanded Cost Centers – Cost per day

**Expanded Cost Centers**

- **General Service Cost Centers that impact direct costs**
  
  - Employee Benefits
  
  - Staff Transportation
  
  - Pharmacy
  
  - Laundry & Linen
  
  - Housekeeping
  
  - Dietary
Revenue Information from Hospice Cost Report

• Revenue Per Day:
  → By Payer
    - Medicare
    - Medicaid
    - Other
  → By level of Service:
    - RHC
    - GIP
    - Inpatient Respite
    - Continuous Care
  → Other Revenue per Patient Day
    - Donations & Charitable Contributions
    - Investment Income
    - Fund Raising

Develop Charge Structure

• Once you develop your cost per level of service you need to develop your charge structure to be included on Medicare billing.
• Charge should be inflated to assure that charges always exceed your cost.
Cost per Length of Stay

- Calculate cost per patient by diagnosis using cost per day calculated in the cost report.
- Preferable to use cost per visit data if available in Hospice
  - More accurate measurement of Costs based on actual utilization of services
  - If CMS moves to a “U” shaped reimbursement in the future Hospices will be able to measure the impact quickly
  - Tier Reimbursement System Hospice should calculate cost by tier

Cost per Length of Stay cont.: 

- Preferable to use cost per visit data if available in Hospice cont.:
  - Direct costs for visit disciplines
    - Include salaries, benefits and payroll taxes, transportation costs
    - Accumulate visit statistics outside of cost reporting requirements
      - By discipline
      - Hours per visit
    - Develop a direct cost per visit
Inpatient Costs Owned vs. Contracted

- I recommend that the costs for your Inpatient Facility be done internally to get a more accurate picture of the true cost of running it.
- Information and analysis can be used for allocation on the cost report.

The future depends on what we do in the present.

Mahatma Gandhi
Simione™ Healthcare Consultants provides solutions for your core home care and hospice challenges – organizational, financial, sales & marketing, technology, and mergers & acquisitions. Over 1000 organizations use our practical insight and tools to reduce costs, mitigate risk and improve efficiencies to steward the way they conduct business.

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