What We Found Out About Your Cost Reports

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CHC (Medicaid) Cost Report

- Massachusetts FQHC's file two different cost reports annually:
  - the Medicare FQHC cost report and
  - the CHC (Medicaid) cost report
- What is the purpose of the CHC (Medicaid) cost report?
- What is the impact of not submitting an accurate and complete cost report ?
- Medicaid Medical Reimbursement Rate (class rate)

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Process for review of CHC Medicaid Medical Reimbursement Rates

- MLCHC put together a small workgroup of CEO's and CFO's to work with them on the process of reviewing the CHC Medicaid rate
- Initial Feedback received from the State on the Rates for CHC's relative to the cost per visit on the Cost Reports filed from FY 2015
- Determined we would need to review all CHC's cost reports for any errors
- Utilizing the checklist prepared by AAF (with the state years ago) the CFOs on the workgroup reviewed 36 Mass CHCs cost reports for errors that may cause a significant impact to the cost/visit

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Summary of Cost Report Review

- During the review, we found a number of the cost reports contained errors which significantly and negatively affected the recalculated cost per visit. *(median rate of all the filing centers)*
- The estimated Median cost per visit for the 2015 cost reports was currently **$132.87**. *(Compared to current reimbursement rate of **$138.78** base prior to add on's for EPSDT-$6.96, Urgent Care/After hours-$45.74 and/or PCC-$10.00)*
- Recalculated cost per visit ranged from:
  - a low of **$2.56** to
  - a high of **$205.56**

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Range of Recalculated Cost per Visit (Medical)

See Excel Summary

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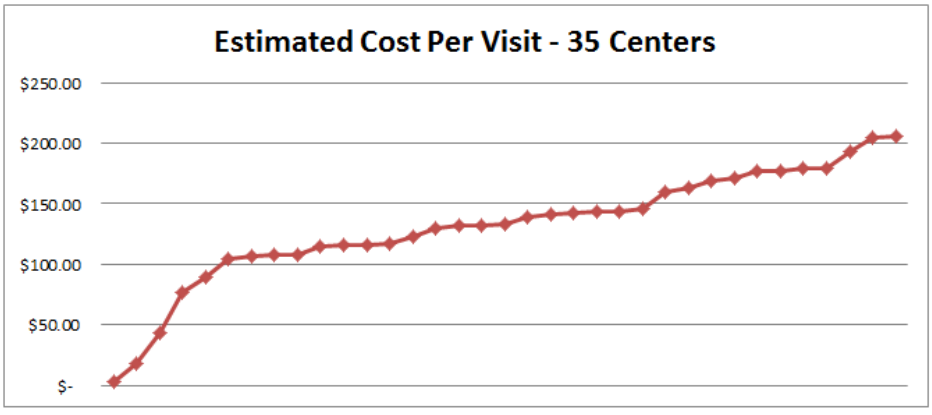
Reason for Corrections



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Next Steps after Cost Report Review

- After the review of the cost reports and finding so many errors that impacted the cost per visit the workgroup met with the state again
- Proposed using the 14 cost reports that were most accurate and appeared to reflect the true cost/visit
- Cost per visit about $157.35
- After considering our request ….Medicaid decided to re-open access to all the 2015 cost reports in order to amend and correct them. *(first time ever)*
- Communication sent out to CHC's along with summary of errors/corrections to be reviewed and/or corrected

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Summary of Most Common Errors

- Including grants such as the HRSA 330 grant as Restricted Grants
- Not appropriately allocating admin vs medical time for providers
- Not appropriate allocating other supporting departments such as medical records, facilities, IT, billing etc. (some allocations created negative overall costs in their programs)
- Including full FTE of support staff (such as RN's) in medical vs. only the productivity/visit portion of their FTE vs the remainder going to support services

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Reason for Corrections

The 2015 Reports were available for editing on iNet.

The amended reports were due to the State by

March 17, 2017.

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Estimated Rate Calculation

Overview – Total Allowable Costs

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

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**

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Estimated Rate Calculation

Overview – Total Adjusted Visits

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

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**

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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.

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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.).

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Schedule A – Salary and FTE

Error #2:

Including supporting provider types in the "Medical" or "Urgent Care" columns. These providers typically have no visits associated with them.

Example:

An RN who provides support to a MD but produces no visits.

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Schedule A – Salary and FTE

Error #2:

Including supporting provider types in the "Medical" or "Urgent Care" columns. These providers typically have no visits associated with them.

Correction:

Providers who support a visit, should be included in the "Support Other" column.

This means their FTE is not subject to the productivity expectations calculated as part of the rate but their salary is included in the rate calculation.

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Schedule A – Salary and FTE

Question:

What about a supporting provider (RN, NP and etc.) who acts as both a supporting provider and a main provider? This provider may have some visits.

Answer:

This provider should be allocated between the applicable program column (medical, urgent care, SBHC and etc.) and the Support Other column.

For example, if the provider spends 10 out of 40 hours per week producing visits, 75% of their salary and FTE should be allocated directly to Support Other. 25% of their salary and FTE would remain in the applicable program column.

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Schedule A – Salary and FTE

Question:

What about a Chief Medical Officer who oversees providers but may not produce the same amount of visits as other MDs?

Answer:

This provider should be allocated between the applicable program column and the Administration Column (see Error #1).

For example, if the CMO spends 30 out of 40 hours per week supervising MDs and performing administrative tasks, 75% of their salary and FTE should be allocated directly to Administration. 25% of their salary and FTE would remain in the applicable program column.

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Schedule A – Salary and FTE

Error #3:

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.

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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.

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Schedule A – Salary and FTE

Question:

What about other staff who may support multiple programs? Such as a driver, a patient navigator or registration specialist.

Answer:

These types of staff should be allocated based upon the best cost indicator (square footage, visits or other measure).

Leaving these costs in administration can cause the Center to incorrectly hit the maximum allowable administration costs. (Administration costs are limited as part of the rate calculation).

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Schedule A – Salary and FTE

Error #4:

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.

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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.

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Schedule A – Salary and FTE

Question:

What about staff funded by State Non-Negotiated Unit Rate contracts, or the 330 grant?

Answer:

- The above grant types are not considered "restricted" for purposes of the Medicaid Community Health Center cost report.
- These grants will be shown on Schedule BUG (for unrestricted funding) and will NOT reduce program expenses.
- Staff funded by these grants should be allocated to the applicable programs in which they worked.

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Schedule A – Salary and FTE

Question:

What about staff funded by Cost Reimbursable or Restricted private grants?

Answer:

- The above grant types are considered "restricted" for purposes of the Medicaid Community Health Center cost report.
- These grants will be shown on Schedule BRG (for restricted funding) and will reduce program expenses on Schedule D.
- Staff funded by these grants should be allocated to the applicable programs in which they worked, and offsetting revenue should be allocated in the same manner.

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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.

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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

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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.

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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.

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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).

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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.

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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.

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Resources

- Each cost report has an impact on all the CHC's cost reports and current reimbursement rates via the cost/visit review = class rate
- If you need a review or technical assistance:
  - Reach out for questions or assistance
  - Contract with audit firm or consultants that understand cost report
  - Attend CFO round table meetings
  - Attend MLCHC cost report training
  - Reach out to other CHC's CFO's or accounting/finance staff
  - Reach out to MLCHC

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Thank You!