

# Introduction to Medicare and Cost Report Overview

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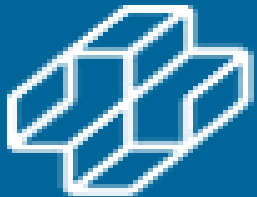
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# History of Medicare

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- Federally administered program
  - Department of Health and Human Services
- Centers for Medicare and Medicaid (CMS) formally known as the Health Care Financing Administration (HCFA)
  - CMS is responsible for the day to day activities of the program. CMS contracts with MACs to manage different regions of the country.



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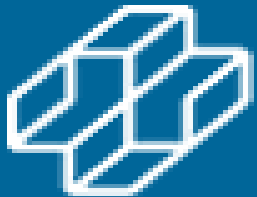
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# Medicare Timeline

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- 1945 – President Truman proposes comprehensive, prepaid medical insurance plan funded through the Social Security System
- July 30, 1965 – Medicare & Medicaid programs signed into law by LBJ as part of his “Great Society”
  - Medicare Part B premium - \$3 per month
  - 2009 Medicare Part B premium - \$96.40 per month



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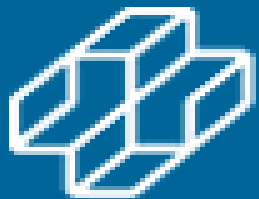
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# Medicare Timeline

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- 1977 – The Health Care Financing Administration (HCFA) was created to administer both the Medicare and Medicaid programs
- 1983 – Prospective Payment System based on diagnostic-related groups (DRGs) becomes reimbursement mechanism for hospital inpatient services



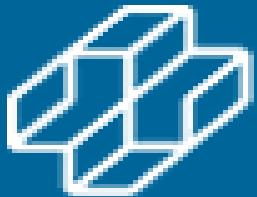
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# Medicare Timeline

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- 1997 – Balance Budget Act of 1997
  - Required HCFA/CMS to develop & implement five new PPS systems – IRF, SNF, HHA, OPPS, Outpatient rehab
- 2003 – Medicare Modernization Act
  - Most significant changes to Medicare since the program began



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# Health Care Expenditures

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- The Office of the Actuary in CMS annually projects health care spending
- Current projections run through 2018



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# Health Care Expenditures

- National health care expenditures (in millions)

	1965	1984	1997	2008	2018
Total	\$42,173	\$401,599	\$1,124,915	\$2,378,554	\$4,353,245
Medicare	> 1	\$65,857	\$210,375	\$465,959	\$931,879
Medicare %	2.37%	16.40%	18.70%	19.59%	21.40%



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# Health Care Expenditures

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- Hospital health care expenditures (in millions)

	1965	1984	1997	2008	2018
Total	\$13,805	\$155,066	\$364,652	\$746,517	\$1,374,143
Medicare	> 1	\$45,605	\$122,001	\$211,660	\$419,893
Medicare %	6.5%	29.41%	33.45%	28.35%	30.56%

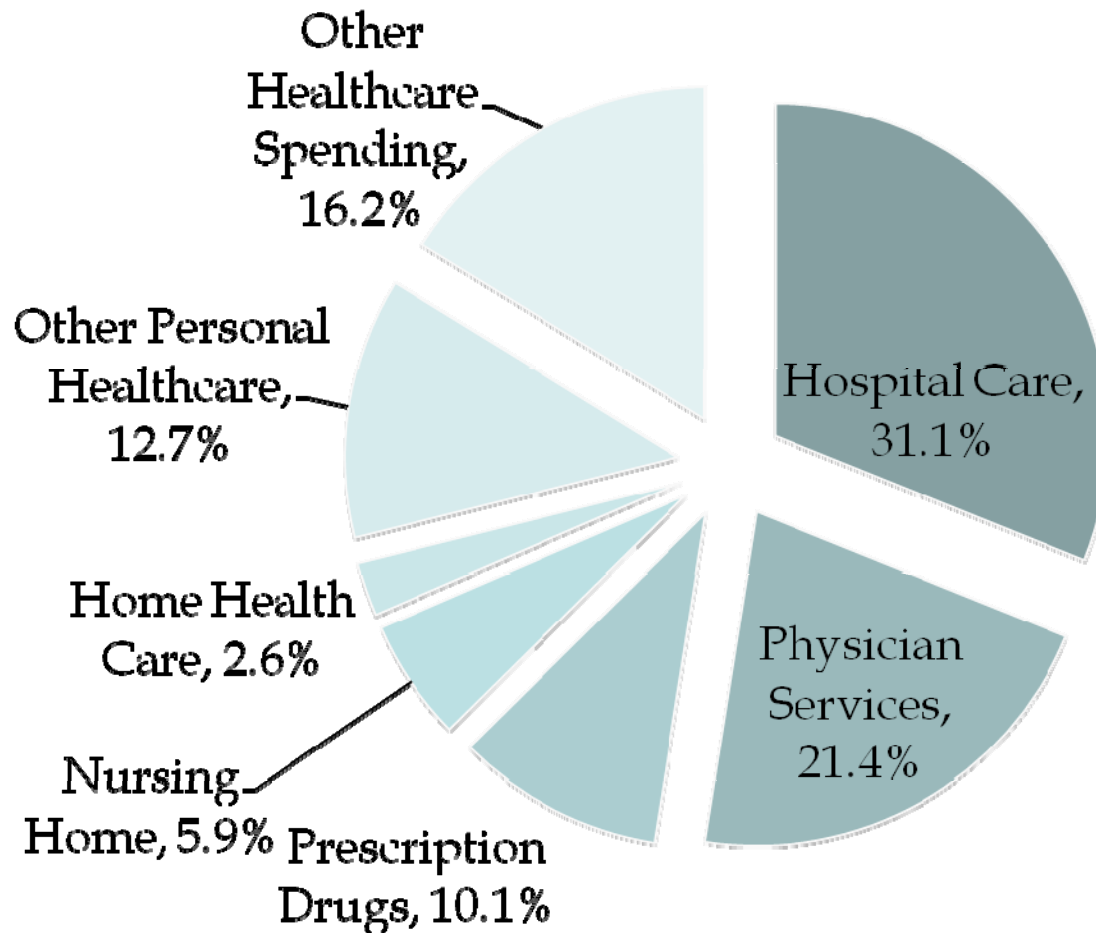


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# Distribution of Health Spending

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# Medicare Spending per Enrollee

Type of Health Spending	Maine	United States
Hospital Care	\$3,664	\$4,089
Physician & Clinical Services	\$1,211	\$1,998
Other Professional Services	\$242	\$247
Dental Services	\$0	\$2
Home Health Care	\$318	\$396
Drugs and Other Medical Nondurables	\$78	\$129
Durable Medical Products	\$114	\$160
Skilled Nursing Facility Care	\$387	\$420
Total	\$6,015	\$7,439

Sources: Health Expenditure Data, Health Expenditures by State of Residence, Centers for Medicare and Medicaid Services, Office of the Actuary, National Health Statistics Group, released September 2007



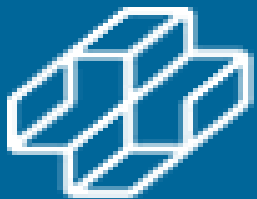
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# Health Spending

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- Through 2018 the public health spending growth (7.2%) is expected to surpass the private health spending growth (5.3%)
  - Baby boomers
  - Recession



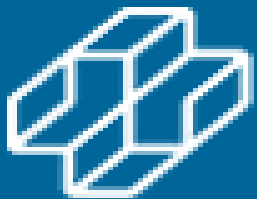
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# Health Spending

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- Hospital health spending growth is expected to decelerate to 5.7% in 2009
- Hospital price growth is expected to slow to 2.6% in 2009. The slowest pace since 2000



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# Health Spending

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- Growth is expected to resume historical rates in 2011
- By 2018 Medicare growth is expected to reach 8.6% annually



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# Health Spending Trends

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- Healthcare spending is projected to be 17.6% of the U.S. gross domestic product (GDP) in 2009
- In 1970 healthcare spending was 7.5% of U.S. GDP (\$75 billion)
- By 2018 healthcare spending is expected to be 20.3% of U.S. GDP

Source: Kaiser Family Foundation



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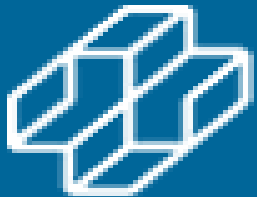
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# Health Spending Trends

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- The U.S is expected to spend over \$2.5 trillion on healthcare during 2009
  - \$8,160 per U.S. resident



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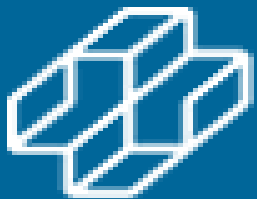
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# Health Spending Comparison

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- In comparison the average U.S resident spends the following on goods and services per year:
  - \$6,133 on food
  - \$16,920 on housing
  - \$1,881 on clothes
  - \$8,758 on transportation
  - \$457 on alcoholic beverages

Source: United States Dept. of Labor



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# Medicare



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“Authorized under Title XVIII of the Social Security Act, Medicare consists of Hospital Insurance (**Part A**) and Supplementary Medical Insurance (**Part B**). **Part C** refers to the Medicare Advantage program (formerly known as Medicare+Choice), under which private plans provide Medicare benefits to enrollees. A voluntary outpatient prescription drug benefit (**Part D**) authorized by the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) was implemented in 2006.”

Source: AARP The Medicare Program: A Brief Overview



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# Medicare Coverage

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## ■ Part A Coverage

- Inpatient hospital services
- SNF services
- HHA services
- Hospice care
- Inpatient psychiatric care
- Blood

## ■ Part B Coverage

- Physician services
- Durable Medical Equipment
- Outpatient hospital services
- Outpatient mental health services
- Clinical lab and diagnostic services
- Outpatient occupational, physical & speech therapy
- HHA services – after Part A
- Some preventive services – mammograms & diabetes screening
- Blood – after Part A



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# Medicare Coverage

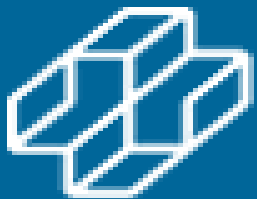
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- Part C Coverage

- Medicare Advantage Plan
  - Part A & Part B services are provided through private health plans that contract to provide Medicare covered services

- Part D Coverage

- Centerpiece is prescription drug benefit – became effective 1/1/2006
- Preventive coverage – physical exam, screening blood tests for cardiovascular diseases, diabetes screening



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# Who Qualifies

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- Individuals 65 Years of Age or Older
- Individuals Under Age 65 with chronic disabilities
- Individuals Suffering From End Stage renal disease (permanent kidney failure)



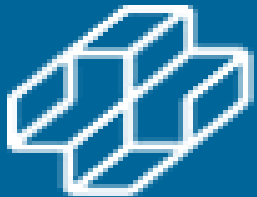
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# Why is a Cost Report Filed?

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- BECAUSE WE HAVE TO
- Settle with Medicare and Medicaid – both to & from
- To determine interim payment rates for next year



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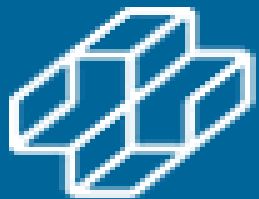
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# Cost Report Fact

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- CMS estimates that it will take 662 hours to complete a single hospital cost report
- Other estimates suggest a single hospital cost report could take up to 800 hours to complete



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# Hospitals

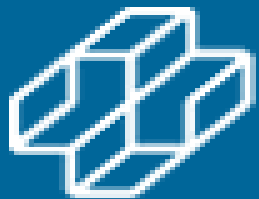


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# Hospital Types

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- Critical Access Hospitals (CAH)
  - Cost based reimbursement
  - 25 Beds
  - Must be in a rural area and located more than 35 miles from another hospital
  - 96 hour average length of stay



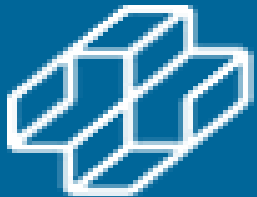
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# Hospital Types

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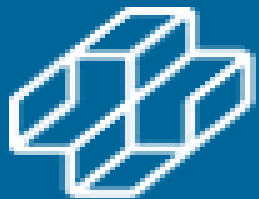
- Sole Community Hospital
  - Criteria:
    - Rural
    - 35 miles from other like hospital
  - Payment:
    - Highest of:
      - Federal rate applicable to the Hospital
        - » SCHs are eligible for a 10% adjustment for DSH if SSI + Medicaid % is equal to or greater than 30%



# Medicare Dependent Hospital

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- Criteria:
  - Has fewer than 100 beds
  - Is not classified as an SCH
  - Two of last three settled cost report years, is dependent on Medicare for at least 60% of its inpatient days or discharges
    - If the cost reporting period is less than 12 months, the hospital's most recent 12-month or longer period is used.
    - Days & discharges



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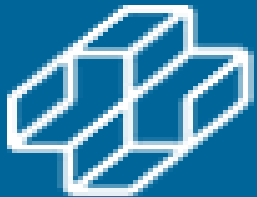
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# Worksheet Summary

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- Worksheets:
  - S Series – Informational data
  - A Series – Expenses
  - B Series – Overhead allocation
  - C Series – Charges
  - D Series – Medicare Charges
  - E Series – Settlement summary
  - G Series – Financial statements
  - Sub-providers

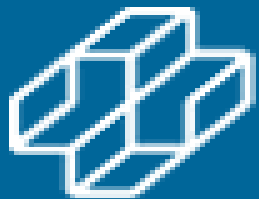
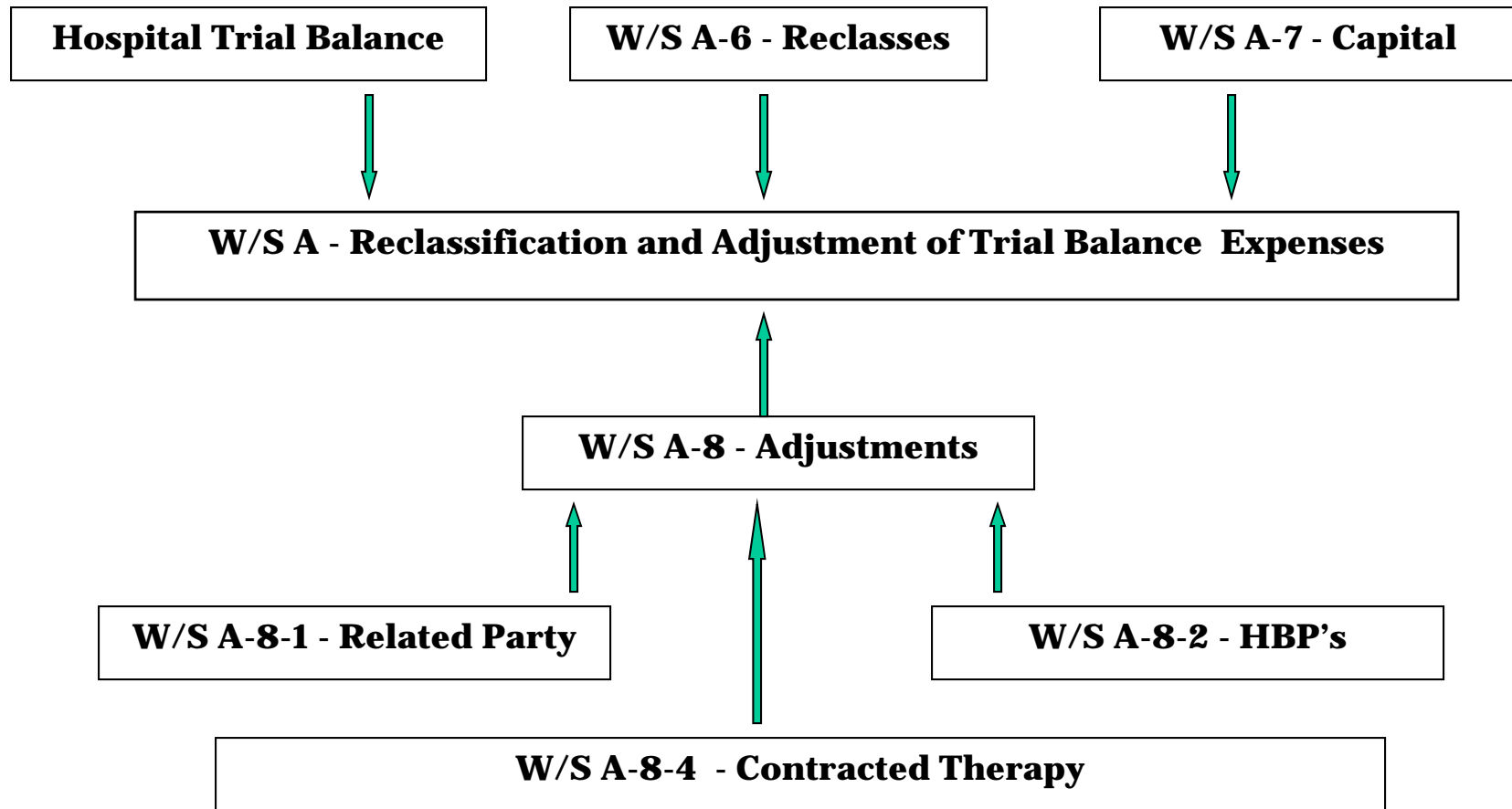


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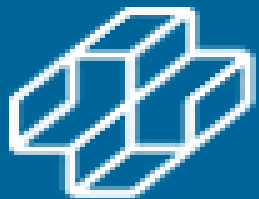
# W/S A Series Flow



# Organizations Who Use the Cost Report

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- Medicare
- Medicaid
- Commercial Insurance Company
- Your Facility
- Other Hospitals
- Other Organizations



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# Commercial Insurance Companies

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- Payment structure
  - Percentage of charges
  - Fee schedule
- Shortfall in Medicare and Medicaid reimbursement causes cost shifting
- Other payors including commercial insurance companies must make up the difference for the facility to survive



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# Commercial Insurance Companies

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- Reliance on the cost report has decreased since outpatient PPS
- Still used to compare per diems – W/S D-1
- Evaluate payment ratio against Medicare payment ratio



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# Hospitals

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- Contractual adjustment
- Service line analysis
- Budgeting
- Rate or price setting
- Contract negotiations



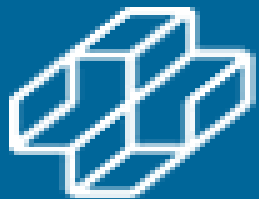
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# Other Organizations

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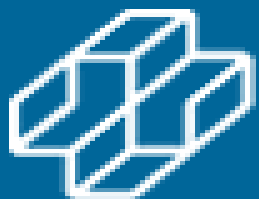
- Congress
- State and regional health care groups



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# KEYS TO SUCCESSFUL COST REPORT PREPARATION

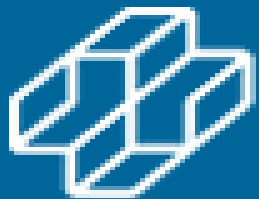


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# Keys to Successful Preparation

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- Be familiar with the cost report mechanics
  - Training
  - Instructions – HIM-15
- Understand how your facility relates to the cost report



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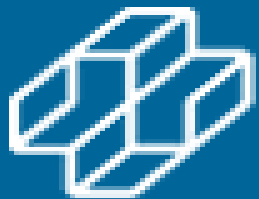
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# Keys to Successful Preparation

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- Plan ahead
  - Set a timeline
  - Create templates
  - Involve coworkers

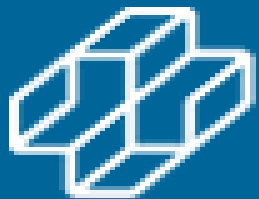


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# Keys to Successful Preparation

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- Help everyone understand their role in the cost report preparation
  - Plant operations
  - Dietary
  - Medical records
  - Physicians
  - Administration



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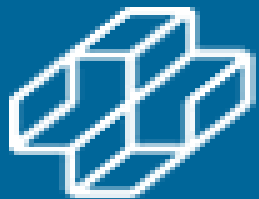
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# Keys to Successful Preparation

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- Develop a good relationship with your Intermediary
- Do not be afraid to ask for help



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# Alphabet Soup

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- A&G Admin and General
- A&R Audit & Reimbursement
- ADG Ambulatory Diagnostic Group
- ALOS Average Length of Stay
- AQRP Audit Quality Review Program
- ASC Ambulatory Surgical Center
- BBA Balanced Budget Act
- BBRA Balanced Budget Refinement Act
- BIPA Benefits, Improvement, & Protection Act
- CAH Critical Access Hospital
- CAP-REL Capital Related
- DME Durable Medical Equipment
- DRG Diagnostic Related Group
- DSH Disproportionate Share Hospital
- CMS Centers for Medicare and Medicaid Services
- ESRD End Stage Renal Disease
- HIPAA Health Insurance Portability & Accountability Act



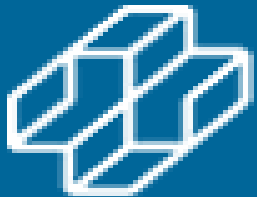
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# Alphabet Soup (continued)

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- SNF Skilled Nursing Facility
- PPS Prospective Payment System
- OPPOS Outpatient Prospective Payment System
- FQHC Federally Qualified Health Center
- HHA Home Health Agency
- HBP Hospital Based Physician
- HCPCS Healthcare Common Procedure Coding System
- ICF Intermediate Care Facility
- IME Indirect Medical Education
- LTCF Long Term Care Facility
- GME Graduate Medical Education
- RHC Rural Health Clinic
- RUG Resource Utilization Group
- TOPS Transitional Outpatient Payments System
- MDH Medicare Dependant Hospital
- SCH Sole Community Hospital



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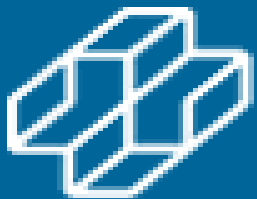
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