

**Uncompensated and
Indigent Care Reporting**
Data Collection, Usage and Payment Linkages

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December 2, 2010

Presentation Overview

- Introduction
- Background: Social and Political Expectations
- Data Reporting and Payment Linkages
- Medicare 2552-10 – Worksheet S-10
- Charity Care Logs, Audit Trails
- IRS 990 Schedule H
- Conclusions

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2

Background

- Setting the Context
 - How Social and Political Expectations Shape Data Reporting and Usage
 - Show Me and Show Me More
 - Medicare S-10
 - IRS 990 H
 - Tax Exemption
 - Community Benefit Reporting
 - State Level Mandates

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3

Background

- Today's Data – Tomorrow's Payment
 - The Importance of Data Planning, Documentation and Creation of Audit Trails
 - Unplanned Outcomes: Hospital Data and Social Change
 - Future Payment – Past Data
 - Retrospective Disallowance – Unable to Substantiate
 - Resources, Cost and the Value of Documentation
 - Roadmaps for Planned Outcomes

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Data Reporting & Payment Linkages

- Electronic Health Record (EHR) Payment
- DSH "Additional Payment"

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EHR Payment

- Product of Three Variables
 - Transition Factor
 - Initial Amount
 - Medicare Share

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EHR Payment

- Transition Factor
 - A Declining Percentage Over 5 Years – From 100% to 0%
- Initial Amount – Comprised of Two Parts
 - Base Amount of \$2,000,000
 - Variable Amount of \$200 for Discharges Greater Than 1,149 and Less Than 23,001

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EHR Payment

- Example
 - Hospital with 5,000 discharges in first year
 - Transition factor = 100%
 - $\$2,000,000 + ((5,000 - 1,149) \times \$200) = \$2,770,200$

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EHR Payment

- Medicare Share
 - Medicare Patient Days Divided by Total Patient Days Times the Charity Adjustment Factor
- Charity Adjustment Factor
 - Hospital Gross Charges Less Total Charity Charges Divided by Hospital Gross Charges
- Results in a Factor Less Than 1

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EHR Payment

| | Scenario 1 | Scenario 2 | Scenario 3 | Scenario 4 |
|-----------------|-------------|-------------|-------------|-------------|
| Charity % | 0% | 1% | 5% | 10% |
| Adjust Factor | 1.0 | .99 | .95 | .90 |
| Medicare Days % | 40% | 40% | 40% | 40% |
| Medicare Share | 40% | 40.40% | 42.10% | 44.44% |
| Initial Amount | \$2,770,200 | \$2,770,220 | \$2,770,220 | \$2,770,200 |
| EHR Payment | \$1,108,080 | \$1,119,280 | \$1,166,400 | \$1,231,200 |

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DSH Additional Payment

- DSH Payments Reduced 75% Beginning in 2014
- A Portion of the Reduction is Returned as an Additional Payment for Continued Uncompensated Care Costs
- Additional Payment is Determined by Three Factors

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DSH Additional Payment

- Factor 1**
 - A Pool of Funds Created From the Aggregate Reduction in Payments to All Hospitals Due to the DSH Reduction
 - The Aggregate DSH Payments Based on Data From 3,350 Acute Care PPS Hospitals = \$10.5 Billion
 - 75% = \$7.9 Billion

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DSH Additional Payment

- Factor 2
 - The Inverse of the Percentage Change in the Percent of Uninsured From 2013, With Some Tweaks
 - CBO Estimate of the Percent Uninsured:
 - 17% in 2013
 - 9% in 2014
 - 7% in 2015
 - 5% in 2016 – 2018
 - 6% in 2019

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DSH Additional Payment

- Factor 2

| Year | Change in % Uninsured | Inverse of the % Change |
|------|-----------------------|-------------------------|
| 2014 | 47% | 53% |
| 2015 | 59% | 41% |
| 2016 | 71% | 29% |
| 2017 | 71% | 29% |
| 2018 | 71% | 29% |
| 2019 | 65% | 35% |

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DSH Additional Payment

- Factor 3
 - Each Hospital's Percentage of the Aggregate Amount of Uncompensated Care Costs, Estimated by the Secretary
 - The Aggregate Uncompensated Care Costs for 3,350 PPS Hospitals was About \$18.8 Billion, or About \$5.6 Million Per Hospital
 - Equates to an Average of .02985%

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DSH Additional Payment

- For an Average Hospital That Gets DSH in 2014:
 - Uncompensated Pool \$7,900,000,000
 - % Change in the Uninsured 53%
 - Hospital % of Aggregate Uncompensated Care Costs .02985%
- Uncompensated Care Payment \$1,249,820

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Worksheet S-10

- Not Clear If, or How CMS Used S-10 Data in the Past
- Instructions Were Poorly Written
- S-10 is Now Meaningful
- Since Payment will be Determined Based on the S-10 Data - Expect an Audit

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Worksheet S-10

| Description | 2552-10 | 2552-96 |
|----------------------------------|---------|---------|
| Uncompensated Care Questions | NA | 1-16 |
| Cost to Charge Ratio | 1 | 24 |
| | | |
| Medicaid Net Revenues (Payments) | 2,5 | 17.01 |
| Medicaid Charges (Gross Revenue) | 6 | 28 |
| Medicaid Cost | 7 | 29 |
| | | |
| SCHIP Net Revenues (Payments) | 9 | 19 |
| SCHIP Charges (Gross Revenue) | 10 | 26 |
| SCHIP Cost | 11 | 27 |

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Worksheet S-10

| Description | 2552-10 | 2552-96 |
|---|---------|---------|
| State/Local Indigent Care Net Revenues (Payments) | 13 | 18 |
| State/Local Indigent (Gross Revenue) | 14 | 23 |
| State/Local Indigent Cost | 15 | 25 |
| | | |
| Restricted Private Grants, Gifts, Interest Income for Uncompensated or Indigent Care | 17 | 20, 21 |
| | | |
| Government Grants, Appropriations, or Transfers for Support of Operations - Not Research or Capital | 18 | 20, 21 |
| | | |
| | | |

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Worksheet S-10

- Uncompensated Care
 - Was Combined on Lines 30, 31

- Charity Care: Lines 20-25

- Bad Debts: Lines 26-30

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Worksheet S-10

- Line 20 Instructions
 - “Enter the Total Initial Payment Obligation of Patients Who are Given Full or Partial Discount Based on the Hospital’s Charity Care Criteria...for Care Delivered During this Cost Reporting Period...”

 - “For Uninsured Patients...this is the Patient’s Total Charges”

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Worksheet S-10

Line 20 Instructions

- "For Patients Covered by a Public Program or Private Insurer with which the Provider has a Contractual Relationship these are the Deductible and Coinsurance Payments Required by the Payer"

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Worksheet S-10

Line 20 Instructions

- "Include Charity Care for All Services Except Physician and Other Professional Services"
- "Do Not Include Charges for Either Uninsured Patients Given Discounts Without Meeting the Hospital's Charity Care Criteria or Patients Given Courtesy Discounts"

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Worksheet S-10

Line 20 Instructions

- "Charges for Non-Covered Services Provided to Patients Eligible for Medicaid or Other Indigent Care Program (including charges for days exceeding a length of stay limit) Can be Included, if Such Inclusion is Specified in the Hospital's Charity Care Policy and the Patient Meets the Hospital's Charity Care Criteria"

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Worksheet S-10

- Line 21 Instructions
 - “Calculate the Cost of Initial Obligation of Patients Approved for Charity Care by Multiplying Line 1 by Line 20”
 - “Use Column 1 for Uninsured Patients...Use Column 2 for Patients Covered by a Public Program or Private Insurer with which the Provider has a Contractual Relationship”

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Worksheet S-10

- Line 22 Instructions
 - “Enter Payments Received or Expected From Patients Who Have Been Approved for Partial Charity Care Services...Payments From Payers Should Not be Included on This Line”

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Worksheet S-10

- Line 23 Instructions
 - “Calculate the Cost of Charity Care by Subtracting Line 22 From Line 21”
- Line 24 Instructions
 - “Enter “Y” for Yes if Charges for Patient Days Beyond a Length-of-Stay Limit Imposed on Patients Covered by Medicaid or Other Indigent Care Program are Included in the Amount Reported in Line 20, Column 2, and Complete Line 25”

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Charity Care Logs

- Essential to Enable Accurate Reporting
- Provides Detailed Charity Care Account Information Not Typically Available Within Most Hospital Accounting Systems
- Creates a Documentation Component Critical to the Overall Audit Trail

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Charity Care Logs

- Log Components
 - Patient Name
 - Hospital Identification Number
 - Charity Application Status (approved, pending, denied)
 - Service From – To Dates
 - Patient Days
 - Primary/Secondary Payer
 - Total Gross Charges

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Charity Care Logs

- Log Components
 - Contractual Adjustments
 - LIUP Denied Days/Charges
 - Payments
 - Full or Partial Charity
 - Charity Write Off Amount
 - Patient Amount due after charity discount
 - Patient Payment Plan: Yes or No

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Charity Care Logs

- Log Components
 - Applicable Cost to Charge Ratio
 - Cost of Care
 - Cost of Charity

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Charity Care Audit Trail

- Date of First Offer
- Date of Application
- All Additional Transaction Dates for Application Processing
- Date Application Completed
- Application Determination Date
- Application Status: Approved/Denied
- Charity Care Log Detail

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IRS 990-H

- Required Reporting of Charity Care for Tax-Exempt Hospitals
- Forms and Methods Are Somewhat Different Than Those Used for Schedule S-10
- Potential for Conflict with Results Reported on Schedule S-10

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IRS 990-H

- Use Gross Patient Charges Written-Off to Charity Care Pursuant to Hospital Charity Care Policy
- Charges for Non-Covered Charges for Medicaid or Other Low-Income Program Patients are Not Included

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IRS 990-H

- Allows Multiple Methods for Developing Cost of Charity Care
 - May Use Cost-to-Charge Ratio as in Schedule S-10, or
 - May Use Cost Factor From Hospital Cost Accounting System, or
 - May Use Other Method
- Use the Organization's Most Accurate Costing Method

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IRS 990-H

- Charity Care Logs and Other Documentation May Become Essential to Substantiating Filed Tax Reports
- Tax Auditors May Question Differences in Reported Results on the IRS 990-H and CMS 2552-10

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Conclusions

- National Focus on Charity Care is Not Likely to End – Politics Will Drive Practices
- New Reporting Requirements Will Mean Changes to Methods and Procedures
- Planning for Reporting Changes May Require Hospitals to Make Short-Term Investments in Additional Resources to Support Accurate Report Preparation

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Conclusions

- Charity Care Logs Provide an Effective Tool for Managing, Documenting and Reporting Results
- Recognize the Hospital May Report Differently to Different Government Agencies
- Prepare for Audit When Preparing the Report

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Questions

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