North American Healthcare Management Services

David S. James, CPA

Cost Report Basics
RHC Cost Reporting Basics

1. RHC General Information
2. Cost Report Worksheets
3. Reclassifications – Examples
4. Adjustments – Examples
5. Audit Issues
6. Cost Reporting Tips
Electronic Filing of Cost Report

- Cost reports ending FYE March 31, 2005 require electronic filing (ECR). Cost report is submitted to Medicare FI on a computer disk.

- ECR files can be created by manually entering cost report data into the CMS fee software.

- There are a number of approved cost reporting software vendors which have the ECR capabilities.
Medicare Advantage Issues

• Claims: Medicare Advantage claims should NOT be submitted for processing through RHC Medicare FI

• Visits: Medicare Advantage visits should NOT be included as a Medicare visit, but SHOULD be included in total visits

Rate Negotiation:
• Pneumo and flu injections are reimbursed separately from the visit rate, as well as, bad debt expense. These costs should be considered when negotiating Part D rates.
Medicare Advantage Issues (cont.)

• Complete Medicare Advantage Certification Form and submit with the cost report. This form certifies that the clinic did not include Medicare Advantage patients or (MA) Flu and Pneumo on the cost report for reimbursement. It also certifies that the clinic included Medicare Advantage patients in total visits on the cost report.
What Is the Medicare Cost Report?

メディカルコスト報告書はすべてのRHCのとFQHCのを必要とする年次に提出する必要があります。

医療費報告書は12ヶ月の期間にカバーされる場合がありますが、例外は以下のとおり：1）新設RHC、2）RHCを売却、3）所有権を変更し、4）参加を終了する場合、13ヶ月の期間をカバーするか、またはより短い期間をカバーする場合があります。
Cost Report Due Dates

❖ The Medicare Cost report is due five months after the end of the fiscal year-end.

❖ December 31 year-end cost reports are due on May 31.

❖ Terminating cost reports or change of ownership cost reports are due 150 days after the change or termination.
RHC Reimbursement Rate

RHC Allowable Costs
Rural Health Clinic
Face to Face Encounters

= RHC Reimbursement Rate (up to the reimbursement rate limit)
Allowable Costs

Allowable RHC costs:
- Defined at 42 CFR 405 and 42 CFR 413
- Explained in the Provider Reimbursement Manual, pub. 15

“Allowable costs are the cost actually incurred by you which are reasonable in amount and necessary and proper to the efficient delivery of your services.” RHC manual, Ch. 501
Non-Allowable Costs

- Most Advertising Costs
- Public Relations
- Refunds or Bad Checks (reduction of revenue)
- Donations or contributions, alcohol, gifts
- Country Club Dues, Luxury items, personal items, Personal Travel
RHC Visits

“A visit is a face-to-face encounter between a clinic or center patient and a physician, physician assistant, nurse practitioner, nurse-midwife, or visiting nurse.”

42 CFR 405.2463
## RHC Reimbursement Rate

<table>
<thead>
<tr>
<th>Year</th>
<th>limit</th>
<th>% increase</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
<td>$82.30</td>
<td>1.2%</td>
</tr>
<tr>
<td>2016</td>
<td>$81.32</td>
<td>1.1%</td>
</tr>
<tr>
<td>2015</td>
<td>$80.44</td>
<td>0.8%</td>
</tr>
<tr>
<td>2014</td>
<td>$79.80</td>
<td>0.8%</td>
</tr>
<tr>
<td>2013</td>
<td>$79.17</td>
<td>0.8%</td>
</tr>
</tbody>
</table>

Every January 1 the RHC all-inclusive rate increases by the medical economic index. (MEI) typically 1% to 3%
What are the two types of rural health clinics?

- Independent rural health clinic which are typically owned by physicians, mid-level practitioners, and not-for-profit entities.

- Provider-based rural health clinic which are owned by hospitals, skilled nursing homes, and home health agencies.
Independent Vs. Provider Based

- Independent RHCs file cost reporting form CMS-222-92.

- Provider based RHCs are reported as a department of the hospital on the CMS-2552.
# RHC Cost Report Worksheets

<table>
<thead>
<tr>
<th>Rural Health Clinic Cost Report Worksheet</th>
<th>Independent CMS 222-92</th>
<th>Provider-Based CMS 2552-96</th>
</tr>
</thead>
<tbody>
<tr>
<td>RHC/FQHC Provider Statistics</td>
<td>S</td>
<td>S-8</td>
</tr>
<tr>
<td>Trial Balance of Costs</td>
<td>A</td>
<td>M-1</td>
</tr>
<tr>
<td>Reclassifications</td>
<td>A-1</td>
<td>A-6</td>
</tr>
<tr>
<td>Adjustments to Expenses</td>
<td>A-2</td>
<td>A-8</td>
</tr>
<tr>
<td>Productivity and Overhead Allocation</td>
<td>B</td>
<td>M-2</td>
</tr>
<tr>
<td>Pneumo/Flu Vaccine Costs</td>
<td>B-1</td>
<td>M-3</td>
</tr>
<tr>
<td>Determination of Medicare Reimbursement</td>
<td>C</td>
<td>M-4</td>
</tr>
<tr>
<td>Analysis of Payments</td>
<td>N/A (part of C)</td>
<td>M-5</td>
</tr>
</tbody>
</table>

www.northamericanhms.com  888.968.0076
Worksheet S – Statistical Data

- Clinic Name
- Clinic Address
- County
- Reporting Period
- Type of Entity (Corp, Sole Prop, etc.)
- Other Operations (Private Practice, etc.)
- RHC Hours
- Non-RHC Hours
- No/Low Utilization
- Consolidated Cost Report
Worksheet A – Trial Balance

• Trial Balance Information

  • Facility HC Staff Costs
  • Costs Under Agreement
  • Other Healthcare Costs
  • Facility Overhead Costs
  • Facility Administrative Costs
  • Cost Other Than RHC
  • Non-Reimbursable Costs
Worksheet A – Trial Balance (Cont)

• Use Trial Balance to input data for Worksheet A (Balance to Trial Balance)

• Distribute costs to the appropriate cost center – direct entry or reclassifications

• Be sure to have appropriate amount of detail
Accrual Based Accounting

- Costs are recorded using Accrual Based Accounting.

- Accrual Based Accounting requires cost be recorded as they are incurred, Not when they are paid.

- Cash based accounting (recorded when paid) is not allowed; Costs must be adjusted to Accrual.
Worksheet A-1 (Reclassifications)

Reclassifications are used to move costs to the appropriate cost center

Common Reclassifications
- Salaries, Benefits and Payroll Taxes
- Medical Director/Administration Costs
- Laboratory, Diagnostic Services, etc.
Worksheet A-2 (Adjustments)

Adjustments are used to remove non-allowable expenses or add allowable costs that were not included on the Trial Balance.
Worksheet A-2 (Adjustments)

- Common Adjustments
  - Investment Income/Commingled Funds
  - Rental of Building/Office Space
  - Related Party Transactions
  - Accrual Adjustments – Previous Period and Subsequent Period
  - Sole Proprietor/Partnership Owner’s Compensation
Worksheet A-2 (Adjustments)

Common Adjustments (Cont.)

- Non-allowable Expenses
  - Bad Debts
  - Non-Allowable Advertising
  - Hospital/Non-RHC Services
  - Outside Lab Fees

www.northamericanhms.com  888.968.0076
Worksheet A-2-1 (Related Party)

- Identify whether a related party transaction exists.
- Related through ownership or control (physician owner, key employees)
- Related party transactions must be reduced to actual cost.
Worksheet A-2-1 (Related Party)

“The intent is to treat the costs incurred by the supplier as if they were incurred by the provider itself.” CMS Publication 15-1 (PRM)
Related Party Transactions

- Rental of real estate is the most common example.
- Nothing prohibits these transactions.
- It is extremely important that you disclose this information.
- These transactions are reported on worksheet A-2-1 of the cost report and in the 339 questionnaire.
Related Party Transactions on A-2-1 of Form 222

Rental expense 60,000

Compared to:
Depreciation expense 20,000
Interest expense 25,000
Property taxes 2,000
Total allowable expense 47,000

Adjust Wkst A-2 Line 6 (13,000)
Worksheet B – Visits

- FTE Calculations – Physician, PA, NP, etc.

- Total Visits – All Patients

- Minimum Calculated Visits

- Information from internal records
Productivity Screens

RHCs have an annual productivity screen per provider which must be met.

- Physicians (1 FTE) 4,200 visits
- Mid-Level Practitioners (1 FTE) 2,100 visits

Use the greater of the actual visits or the calculated minimum visits.
Full Time Equivalent Calculation

Report only time provider is available to see patients in the FTE calculation.

Physician Hours Avail.  1,820  
Full Time Hours  2,080

Calculated Physician FTE  .875
Time Studies Required – Sample

Rural Health Clinic Physician Time Study

Physician Name: ___________________________ Date: __________________

Physician Signature: _______________________

To complete, place an "X" in the appropriate box for each 15-minute increment to identify the activities performed.

<table>
<thead>
<tr>
<th>Supervision</th>
<th>Committee Work</th>
<th>Administration of Department</th>
<th>Quality Control</th>
<th>Emergency Room Availability</th>
<th>Patient Services</th>
<th>Documentation</th>
</tr>
</thead>
<tbody>
<tr>
<td>0:00</td>
<td>0:15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0:15</td>
<td>0:30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0:30</td>
<td>0:45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>0:45</td>
<td>1:00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1:00</td>
<td>1:15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1:15</td>
<td>1:30</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1:30</td>
<td>1:45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1:45</td>
<td>2:00</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2:00</td>
<td>2:15</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Visit Calculation Example

<table>
<thead>
<tr>
<th></th>
<th>FTE</th>
<th>Actual Visits</th>
<th>Min Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician</td>
<td>0.87</td>
<td>5,600</td>
<td>3,654</td>
</tr>
<tr>
<td>PA</td>
<td>1.20</td>
<td>3,200</td>
<td>2,520</td>
</tr>
<tr>
<td>NP</td>
<td>0.90</td>
<td>2,700</td>
<td>1,890</td>
</tr>
<tr>
<td>Total</td>
<td>2.97</td>
<td>11,500</td>
<td>8,064</td>
</tr>
</tbody>
</table>

In this example, the 11,500 actual visits would be used to calculate the cost report.
Visit Calculation Example

<table>
<thead>
<tr>
<th>Role</th>
<th>Hours</th>
<th>Visits</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician</td>
<td>2.00</td>
<td>5,600</td>
<td>8,400</td>
</tr>
<tr>
<td>PA</td>
<td>2.00</td>
<td>3,200</td>
<td>4,200</td>
</tr>
<tr>
<td>NP</td>
<td>1.00</td>
<td>2,700</td>
<td>2,100</td>
</tr>
<tr>
<td>Total</td>
<td>5.00</td>
<td>11,500</td>
<td>14,700</td>
</tr>
</tbody>
</table>

In this example, total visits would default to the minimum productivity of 14,700.
Visit Calculation Example (Cont)

<table>
<thead>
<tr>
<th></th>
<th>Actual Visits</th>
<th>Min Productivity</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Allowable Costs</td>
<td>$ 900,000</td>
<td>$ 900,000</td>
</tr>
<tr>
<td>Total Adjusted Visits</td>
<td>11,500</td>
<td>14,700</td>
</tr>
<tr>
<td>Adjusted Cost Per Visit</td>
<td>$ 78.26</td>
<td>$ 61.22</td>
</tr>
</tbody>
</table>

By using the minimum calculated visits, the Adjusted Cost Per Visit will decrease.
Worksheet B-1 Pneumo and Influenza

- Staffing Ratio – Pneumococcal and Influenza Time
- Vaccine Costs
- Total Number of Injections – All Patients
- Total Number of Injections – Medicare Patients Only (do not include Medicare Advantage)
How do you compute the time spent in providing Flu shots on the cost report?

<table>
<thead>
<tr>
<th>Number of Flu Shots</th>
<th>90</th>
</tr>
</thead>
<tbody>
<tr>
<td>Time Spent per shot</td>
<td>10 minutes</td>
</tr>
<tr>
<td>Hours spent</td>
<td>15 hours</td>
</tr>
</tbody>
</table>

Time providing flu shots 15 hours
How do you compute the time spent providing Flu shots on the cost report?

Calculate Healthcare FTEs

Number of FTE Physicians  2
Number of FTE Mid-Levels  1
Number of FTE Nurses  2

Total Healthcare FTE’s  5
How do you compute the time spent providing Flu shots on the cost report?

Calculate Healthcare Hours
Total Healthcare FTE’s 5
Hours per FTE 2,080
Total Healthcare Hours 10,400

Calculate Ratio of Flu Hours to Healthcare Hours
Percentage of Flu Time $15/10,400 = .001442$

Input calculated ratio on Worksheet B-1 along with number of injections and total vaccine supply costs.
Worksheet B-1 Vaccine Costs

- Vaccine Costs – Direct costs from pneumococcal and influenza invoices
- Can use average cost per injection
- Be consistent with methodology
- Have supporting documentation
Worksheet B-1 Number of Injections

(include total number of injections for all patients.

Do not include Vaccine For Children injections – including these no cost vaccines will dilute your cost per injection.
Worksheet B-1 Injection Logs

Complete pneumococcal and influenza injection logs for Medicare Patients to include:

- Beneficiaries Name.
- Beneficiaries HIC Number.
- Date Injection was given.

Do not include Medicare Advantage !!
Worksheet C – Rate and Payment

- Always use PS&R data; information is not derived from internal records

- Total Medicare Visits

- Total Medicare Mental Health Visits
Worksheet C – Rate and Payment

- Beneficiary Deductible
- Net Reimbursement
- Medicare Bad Debts
Reclassifications - Examples

- Salaries – Physician, PA, NP, Nursing, Etc.
- Laboratory Expenses
- Medical Director
Reclassification - Salaries

- The clinic’s Trial Balance will typically include a single category for Office Salaries

- Salaries will need to be reclassified to the appropriate cost center

- Use Payroll Records to determine reclassification
Reclassification - Salaries

<table>
<thead>
<tr>
<th>Reclassification of Salaries</th>
<th>Reclassification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Line 1 Physician</td>
<td>$ 200,000</td>
</tr>
<tr>
<td>Increase Line 3 Nurse Practitioner</td>
<td>$ 125,000</td>
</tr>
<tr>
<td>Increase Line 5 Other Nurse</td>
<td>$ 75,000</td>
</tr>
<tr>
<td>Decrease Line 38 Office Salaries</td>
<td>$ (400,000)</td>
</tr>
</tbody>
</table>

Please note: Salaries were adjusted to the appropriate cost center.
Reclassification - Laboratory

- All laboratory services including the six basic lab tests are billed to part B and therefore these costs are excluded from the cost report.

  - Laboratory salaries.
  - Laboratory supplies.
  - Equipment costs & depreciation.
  - Laboratory space and associated overhead. (Carved out automatically within the cost report).
### Reclassification of Laboratory

<table>
<thead>
<tr>
<th>Reclassification of Laboratory</th>
<th>Reclassification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Line 54 Laboratory</td>
<td>$ 5,000</td>
</tr>
<tr>
<td>Increase Line 54 Laboratory</td>
<td>$ 6,250</td>
</tr>
<tr>
<td>Decrease Line 5 Other Nurse</td>
<td>$ (5,000)</td>
</tr>
<tr>
<td>Decrease Line 17 Medical Supplies</td>
<td>$ (6,250)</td>
</tr>
</tbody>
</table>

Please note: Laboratory expenses were adjusted to the appropriate cost center.
Reclassification – Medical Director

- Medical Director expenses are normally classified on the Trial Balance as Physician compensation.

- The two main components of the Medical Director expense are Administration and Mid-Level Supervision.

- Reclassify Medical Director Expenses to the appropriate cost centers
Reclassification – Medical Director

<table>
<thead>
<tr>
<th>Reclassification of Medical Director</th>
<th>Reclassification</th>
</tr>
</thead>
<tbody>
<tr>
<td>Increase Line 9</td>
<td>Mid-Level Supervision</td>
</tr>
<tr>
<td>Increase Line 38</td>
<td>Office Salaries</td>
</tr>
<tr>
<td>Decrease Line 1</td>
<td>Physician</td>
</tr>
<tr>
<td>Decrease Line 1</td>
<td>Physician</td>
</tr>
</tbody>
</table>

Please note: Medical Director expenses were adjusted to the appropriate cost center.
Adjustments - Examples

- Advertising
- Depreciation
- Non-RHC Hospital Services
Adjustments - Examples

- Advertising
- Depreciation
- Non-RHC Hospital Services
Adjustments - Advertising

- Advertising is in most cases non-allowable. Normal sized yellow pages ads are allowable and recruiting personnel is allowable.
## Adjustments - Advertising

<table>
<thead>
<tr>
<th>Adjustment of Advertising</th>
<th>Amount</th>
<th>Allowable/Non-Allowable</th>
</tr>
</thead>
<tbody>
<tr>
<td>Yellow Pages Advertising</td>
<td>$ 3,000</td>
<td>Allowable</td>
</tr>
<tr>
<td>Newspaper Advertising - Promotion</td>
<td>$ 1,500</td>
<td>Non-Allowable</td>
</tr>
<tr>
<td>Billboard Advertising</td>
<td>$ 5,000</td>
<td>Non-Allowable</td>
</tr>
<tr>
<td><strong>Total Advertising</strong></td>
<td><strong>$ 9,500</strong></td>
<td></td>
</tr>
<tr>
<td>Decrease Line 48 Advertising</td>
<td><strong>$ (6,500)</strong></td>
<td></td>
</tr>
</tbody>
</table>

Please note: Non-Allowable Advertising was adjusted out of the cost report.
Adjustments - Depreciation

- Medicare requires assets be depreciated on a straight-line basis.

- The assets estimated useful life is established by Medicare – AHA (American Hospital Association) guidelines. Can be different than tax basis.

- Accelerated depreciation methods and section 179 expense deductions are not allowed.
## Adjustments - Depreciation

<table>
<thead>
<tr>
<th>Asset</th>
<th>Date Purchase</th>
<th>Life</th>
<th>Cost</th>
<th>Depreciation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Building</td>
<td>9/1/1990</td>
<td>25</td>
<td>$250,000</td>
<td>$10,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Building</td>
<td></td>
<td></td>
<td>$250,000</td>
<td>$10,000</td>
</tr>
<tr>
<td>Computer</td>
<td>1/1/2009</td>
<td>5</td>
<td>$6,000</td>
<td>$1,200</td>
</tr>
<tr>
<td>Office Picture</td>
<td>1/1/2009</td>
<td>3</td>
<td>$1,000</td>
<td>$333</td>
</tr>
<tr>
<td>Telephone System</td>
<td>1/1/2009</td>
<td>3</td>
<td>$3,000</td>
<td>$1,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Office Equipment</td>
<td></td>
<td></td>
<td>$10,000</td>
<td>$2,533</td>
</tr>
<tr>
<td>Coutry Equipment</td>
<td>1/1/2009</td>
<td>3</td>
<td>$1,000</td>
<td>$333</td>
</tr>
<tr>
<td>Centrifuge</td>
<td>1/1/2009</td>
<td>3</td>
<td>$1,000</td>
<td>$333</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Medical Equipment</td>
<td></td>
<td></td>
<td>$2,000</td>
<td>$667</td>
</tr>
<tr>
<td>Total (All)</td>
<td></td>
<td></td>
<td>$262,000</td>
<td>$13,200</td>
</tr>
</tbody>
</table>
# Adjustments - Depreciation

## Adjustment of Depreciation

<table>
<thead>
<tr>
<th>Depreciation Worksheet A Column 2 Line 30</th>
<th>$ 25,000</th>
</tr>
</thead>
</table>

## Straight Line Depreciation

<table>
<thead>
<tr>
<th>Building</th>
<th>$ 10,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Office Equipment</td>
<td>$ 2,533</td>
</tr>
<tr>
<td>Medical Equipment</td>
<td>$ 667</td>
</tr>
<tr>
<td><strong>Total Depreciation</strong></td>
<td><strong>$ 13,200</strong></td>
</tr>
</tbody>
</table>

| Decrease Line 30 | Depreciation - Building | $ (15,000) |
| Increase Line 39 | Depreciation - Office   | $ 2,533    |
| Increase Line 19 | Depreciation - Medical  | $ 667      |

Please note: Depreciation was adjusted to reflect Straight Line Depreciation.
Adjustments – Non-RHC Hospital

- Costs related to services not provided in the Rural Health Clinic setting are Non-Allowable on the RHC cost report.

- A common example is hospital services. These services are provided outside of the RHC setting and are billable directly to Medicare Part B.

- Costs related to the provision of these services and the cost involved in billing for these services will be adjusted out of the cost report.
Adjustments – Non-RHC Hospital

<table>
<thead>
<tr>
<th>Adjustment of Non-RHC Hospital Services</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Physician Salary (Hospital)</td>
<td>$ 25,000</td>
</tr>
<tr>
<td>Billing Staff Salary (Hospital)</td>
<td>$ 2,500</td>
</tr>
</tbody>
</table>

Decrease Line 1 Physician $ (25,000)  
Decrease Line 38 Office Salaries $ (2,500)

Please note: Non-RHC expenses were adjusted out of the cost report.
Audit Issues

- Pneumococcal and Influenza Vaccines
- Medicare Bad Debt
- Reasonable Salaries
Audit Issues – Pneumo and Influenza

- Injection Logs - Complete and legible
- Injection Costs – Backup Documentation
- Staffing Ratio – 10 minutes per injection
Medicare Bad Debts

On the cost report, Medicare will reimburse RHCs for all uncollectible Medicare deductibles and coinsurance.
Audit Issues – Medicare Bad Debt

- Complete and legible Medicare Bad Debt Log

- Auditors will sample bad debts claimed on the log – have backup documentation

- 120 Day rule – be sure to provide enough time for patient to pay bill or that they are indigent
Audit Issues – Medicare Bad Debt

- Patient Name
- HIC Number
- Dates of Service
- Indigence and/or Medicaid Number
- Date of First Bill – will determine 120 Day Medicare Paid Date
- Write Off Date
- Deductible
Audit Issues – Medicare Bad Debt

- Co-Insurance
- Medicaid Paid Amount
- Patient Payments Received
- Total Medicare Bad Debt
Audit Issues – Reasonable Compensation

- Physician Owner Compensation
- Mid-Level Owner Compensation
- Mid-Level Supervision Compensation
- Administrative Compensation
Audit Issues – Reasonable Salary

“Reasonableness requires that the compensation allowance be such an amount as would ordinarily be paid for comparable service by comparable institutions depending on the facts and circumstances of each case” (PRM 9-3)

- Some Medicare FIs use a reimbursable cost per visit computation.

- The 2017 reasonable reimbursement rate per patient is between $45-$60.
Audit Issues – Reasonable Salary

❖ MGMA Standards – Physician Compensation and Production Survey
  • Compensation by Specialty, Region, etc.
  • Encounters by provider, by specialty

❖ MAC trying to use RCE Reasonable Compensation Equivalent; RHCs are specifically excluded from RCEs
Owners Compensation - Corporation

- Compensation is the amount earned throughout the year.

- Compensation must actually be paid.

- S-Corp K-1 income has been previously allowed as owners compensation.

- Any accruals for the owners must be within 75 days after the Fiscal Year End.
Sole Proprietor and Partnership Compensation

- The allowance of compensation for sole proprietors and partners is the value of the services rendered by the owner whether or not this compensation is actually paid.

- Common components used to calculate compensation.
  - Physician services.
  - Administrative services.
  - Supervisory services.
Limited Liability Company

CMS will allow a Limited Liability Company (LLC) to use the Sole Proprietor and Partnership compensation rules as long as the LLC is taxed as a Sole Proprietor or Partnership and the owners are compensated as a Sole Proprietor or a Partner.
Medicare Cost Report Tips

- Collect as much data as possible on an ongoing basis.

- Set up accounting procedures to collect as much financial data in the form and level of detail required for year end reporting. Use the cost report forms for reference.
Medicare Cost Report Tips

- Determine early if the clinic will need to collect special data for the cost report. (i.e. related party expense)

- Check the cost report for mathematical accuracy.

- Be consistent from year to year.
Medicare Cost Report Tips

- Complete the entire cost report.
- Use the PS&R report provided by the intermediary to report Medicare visits, deductibles and payments.
- Use correct and current forms.
Medicare Cost Report Tips

- Send adequate documentation to support information on the cost report.
  - Injection logs
  - Bad debt logs
  - Working Trial Balance
  - CMS 339 Questionnaire
  - Work papers to explain reclasses on W/S A-1 and adjustments on W/S A-2
PS & R Reports

- The PS & R report is used to establish Medicare visits, Deductibles, net payments on the cost report.

- Medicare will no longer send out the PS&R report to the RHC starting with cost reports ending June 30, 2009.

- The RHC must register in the EIDM with their CMS in order to obtain the PS&R report.
P S & R Reports


North American Healthcare Management Services

David S. James, CPA

Thank You!!