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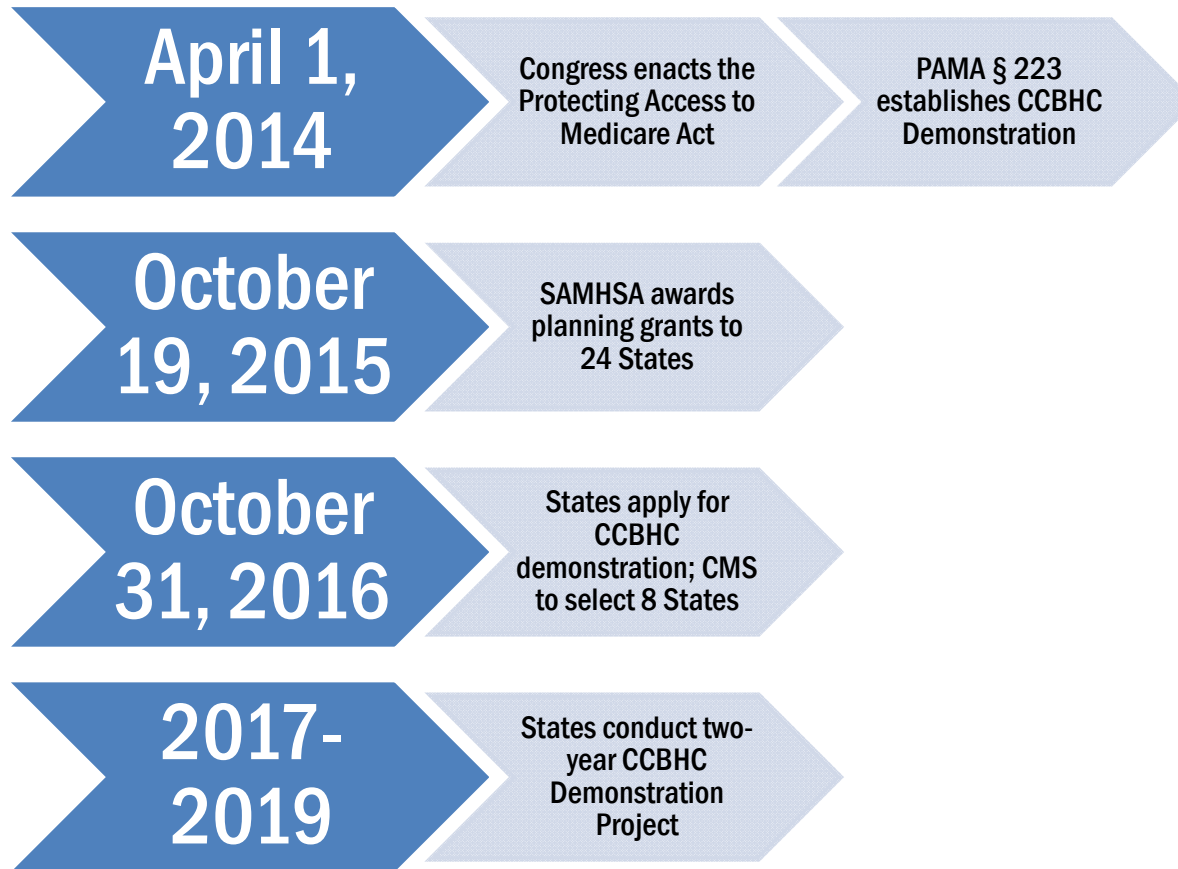
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Getting Paid as a CCBHC: Cost Reporting Principles

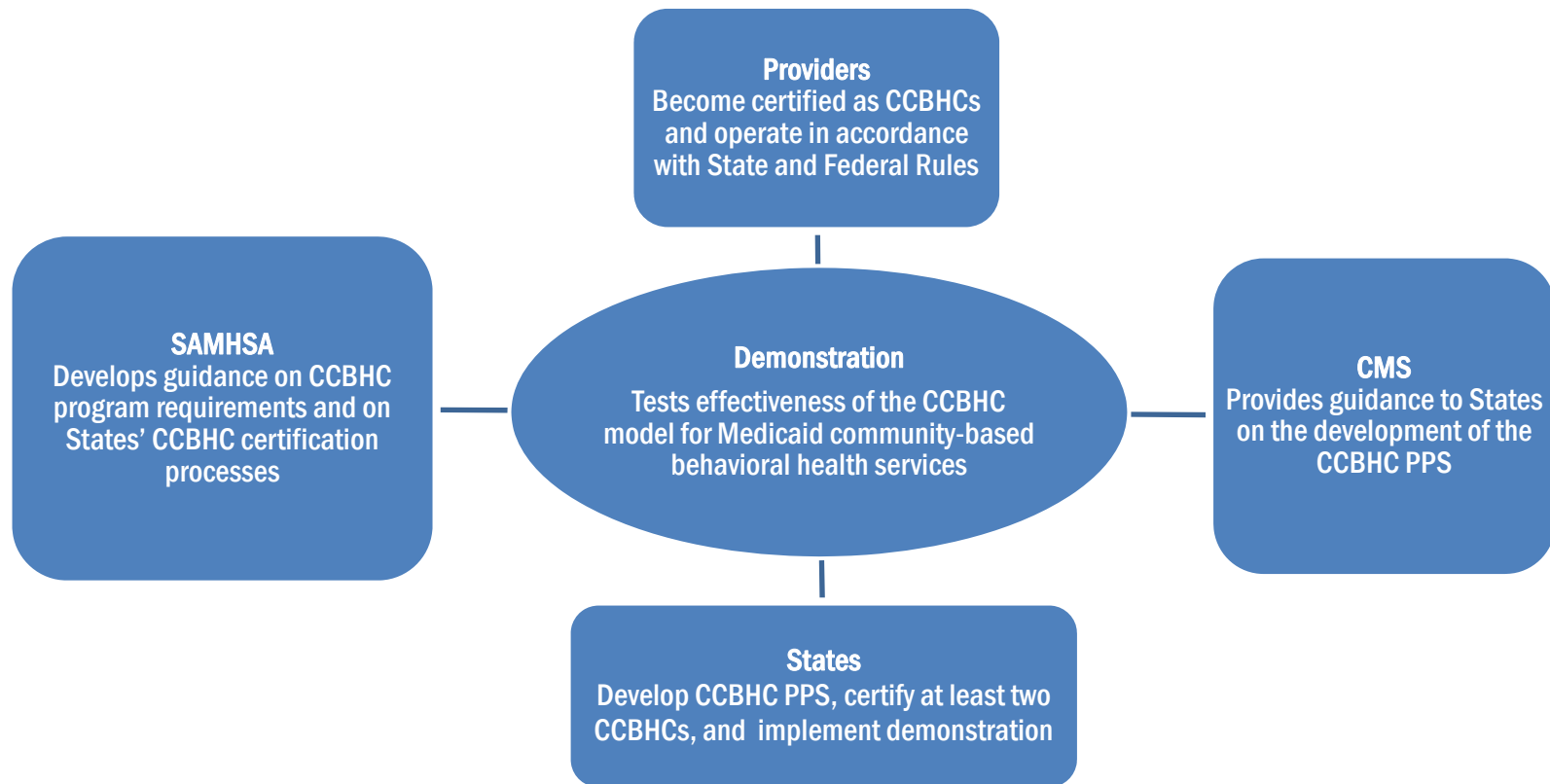
Agenda

- What would you like to learn about today?
- Overview of the CCBHC PPS
- Components of the CCBHC cost report
- Cost reporting strategies

CCBHC Demonstration Timeline

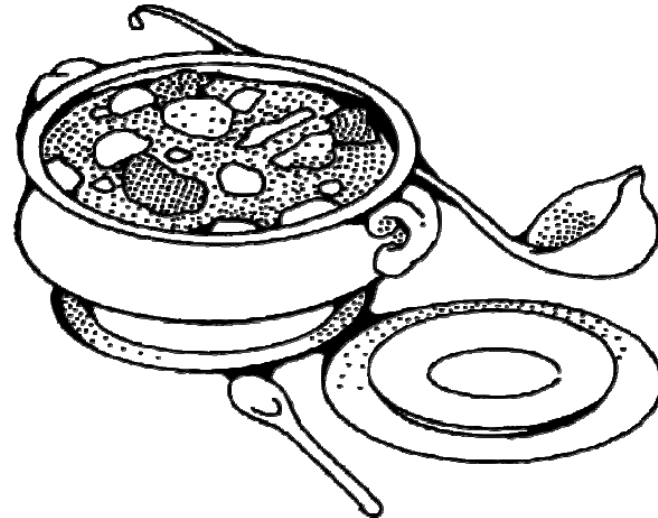


CCBHC Demonstration Stakeholders



What's New About the CCBHC PPS?

- Reimbursement based on costs of serving CCBHC consumers, ***not*** on fee schedule
- PPS rate is unique to each CCBHC
- Rate based on allowable costs of furnishing all CCBHC services (“basket” of CCBHC services)
- Same rate is paid for each qualifying unit of service (“visit”), ***regardless of the intensity of services provided***



PPS Is Not Cost Reimbursement

- Reimbursement under a PPS methodology
 - Bears ***rational relationship*** to provider's costs of providing CCBHC basket of services
 - Likely will ***not*** result in reimbursement that precisely equals costs for a given year
 - Is not subject to cost settlement
- PPS creates incentive to contain costs so that costs of care do not outpace inflation

CCBHC PPS Implementation – States’ Responsibilities

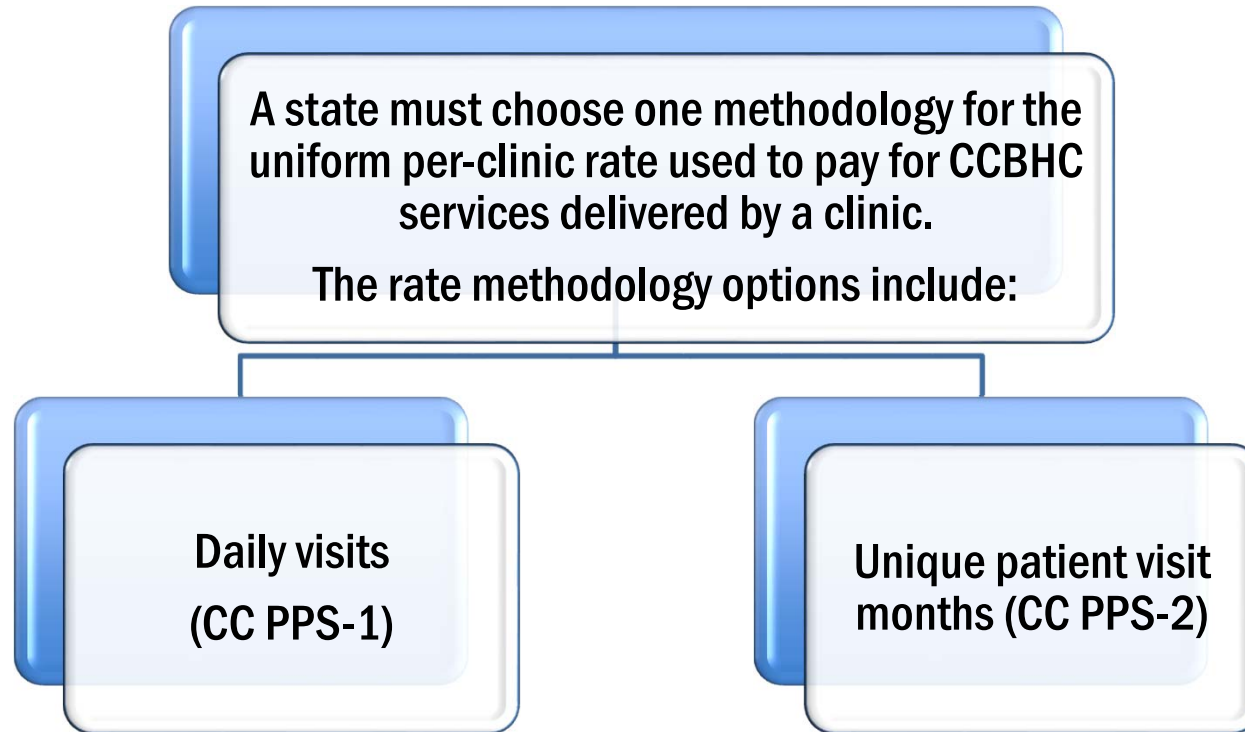
Determine the clinic-specific PPS rate for Demonstration Year 1 by collecting base year cost reports identifying all allowable costs and visit data relating to CCBHC services

Develop actuarially sound rates for payments made through managed care systems, or develop capacity to make supplemental payments for CCBHC services provided through managed care

Prepare to collect CCBHC cost reports reflecting Demonstration Year 1 and 2 costs no later than 9 months after the end of each demonstration year

Design and implement billing procedures to support the collection of data necessary to determine PPS payments (including quality bonus payments, if applicable) and to evaluate the demonstration

CCBHC Rate-Setting Methodology Options



Establishing a Base Year Rate: Daily Visit Option (CC PPS-1)

- CC PPS-1 is a per-clinic rate that applies uniformly to all CCBHC services rendered by a CCBHC
- Base PPS rate =

Total annual allowable CCBHC costs'

Total number of CCBHC daily visits per year

Establishing a Base Year Rate: Unique Monthly Visit Option (CC PPS-2)

- CC PPS-2 is a per-clinic rate that applies uniformly to all CCBHC services rendered by a certified clinic

- Base PPS rate =

$$\frac{\text{Total annual allowable CCBHC costs*} \\ \text{excluding costs for services to clinic users with certain conditions and outlier payments}}{\text{Total number of CCBHC unduplicated monthly visits per year} \\ \text{excluding clinic users with certain conditions}}$$

- If it chooses PPS-2, State must
 - implement a separate PPS rate for specific populations based on clinical condition
 - implement a quality bonus payment system
 - create a system for “outlier payments”

Trending the PPS Rate Forward

- Costs per qualifying visit established by base period cost report are adjusted by the Medicare Economic Index (MEI) to yield Demonstration Year 1 (DY1) PPS rate
- DY1 rate will be updated for DY2 by (at State option):
 - the MEI or
 - a “rebasings” of the PPS rate (new cost report reflecting DY1 costs)

Where to Find Guidance

- [CMS guidance](#) with detailed description of PPS methodology was issued in 2015 as appendix to Request for Applications for CCBHC planning grants
- CMS issued [cost report guidance](#) and a model cost report template in January 2016
 - States may choose to use this model or develop their own

Cost Report Basics

- What specific type of information is gathered?
 - Facility characteristics (ownership status, type of facility)
 - Statistical Information (Volume statistics by payer)
 - Financial Data, primarily P&L data, revenue and expense
 - Wage related data

Cost Report Basics

- Why is a Cost Report Important?
 - The cost report is a financial report that identifies the cost, charges, and volume statistics related to healthcare treatment activities
 - Cost Reports Impact Reimbursement
 - Today
 - Future Reimbursement – Prospective Payment System Implementation; Monitoring; and rate adjustments
 - Congressional / CMS policy and rate setting

PPS Rate Development

- Facility specific base year cost as it stands now would be utilized to develop a facility specific rate per visit. The base year rate would be updated, by the MEI (Medicare Economic Index) or other state determined factors
- At this time, updates would not be provided for a change in services or service mix.
- Budgetary constraints can also impact future payment rates

PPS Benefits

- Predictability of Cash Flow and Receipts
- Shared Risk between the Payer and the Provider
- Offers Reward (Profit) where costs are less than reimbursement and Loss where cost exceeds the PPS payments

Cost Report Preparation

- Assemble your team
- Develop a plan and timetable
- Know the regulations (go to trainings)
- Compile all required records
- Keep in mind the cost data is based on accrual accounting
- Keep and provide all backup supporting statistical records

Get It Right!

- Why Get it Right?
 - You may have to live with the rate you establish
- When setting your rate consider:
 - Budgeting for growth
 - Potential new staffing requirements
 - New documentation or collaboration requirements

Preparing for the Cost Report

- Direct and Allowable Cost (as defined by regulations)
- Allocation of Overhead Cost
- Determination of Cost of Services (Cost per Unit)
- Determination of Cost of Services related to Medicaid Patients
- Provides for Cost Basis to Develop a Prospective Payment System (PPS)

Cost Report Essentials

- Commonly Used Data in a Cost Report
 - General Ledger (Summary Trial Balance)
 - Payroll Register
 - Statistical Reports of Services by Payer with a detailed review required – Patient Census
 - Overhead Allocation Statistics
 - Other Specific Purpose Data

The CCBHC Cost Report

- Costs must adhere to:
 - 45 Code of Federal Regulations (CFR) 75 Uniform Administrative Requirements, Cost Principles, and Audit Requirements for the U.S. Department of Health and Human Services (HHS) Awards, and
 - 42 CFR 413 Principles of Reasonable Cost Reimbursement

The CCBHC Cost Report

- CCBHC records must be:
 - Detailed
 - Orderly
 - Complete, and
 - AVAILABLE for REVIEW or AUDIT

The CCBHC Cost Report

- Supporting documents must be maintained for all costs reported;
 - Cost report package and source documentation (e.g. invoices, patient records, cancelled checks) must adhere to federal and state record retention requirements.

The CCBHC Cost Report

- Accrual basis of accounting required
- All information requested in the cost report tabs must be furnished
- Failure to complete applicable tabs properly will result in rejection and return to the CCBHC for correction and re-submission

The CCBHC Cost Report

- Part 1 – Provider Information Tab
 - Basic information Gathered
- Part 2 – Provider Information For Clinics Filing Under Consolidated Cost Reporting
 - Must be completed for each site included in the consolidation
 - If more than 1 satellite exists, create a new tab

Trial Balance Tab

- Purpose:
 - Record amounts from the trial balance expense accounts
 - Perform necessary reclassifications and adjustments to adhere to Medicare and Medicaid cost principals
 - Record estimates of anticipated changes in costs

The General Ledger

- General Ledger – Summary Trial Balance
 - The General Ledger serves as the source document for initial reporting on the cost report
 - A properly established General Ledger will serve to categorize expense and revenue related to the specific departments / types of services provided that will ease the burden of completing the cost report without the need for post year-end analysis, or at least minimize it.

The General Ledger

- General Ledger – Trial Balance (cont'd)
 - With a properly detailed general ledger (accounts / departments / etc. mapping expenses to the cost report becomes easy, okay, easier.
 - With an overly simplistic general ledger, one which is constructed just with natural accounts, e.g. salary expense, benefit cost, supply expense, etc. and not on a cost center basis, be prepared for late hours for analysis and breakdown of expenses to meet the cost reporting requirements.

Trial Balance Tab

- Cost elements of an expense category maintained separately must be reconciled to the worksheet expense
- Working Trial Balance must be submitted with Cost Report
- MATERIALS ARE SUBJECT REVIEW or AUDIT

Direct CCBHC Expenses

- Key Column Descriptions
 - Column 4 – Reclassifications
 - Column 6 – Adjustments
 - Column 8 – Anticipated Costs

Anticipated Costs

- What are “Anticipated Costs”?
 - Costs you expect to incur to meet the expectations of operating as a CCBHC!
- Discussion of Anticipated Costs

Expense Line Descriptions

- Key Line Descriptions
 - Part 1A- CCBHC Staff Costs
 - Part 1B- CCBHC Staff Costs Under Agreement (these are your DCO costs)
 - Part IC – Other Direct Expenses

Indirect Costs

- Part 2A – Site Costs
- What are Overhead Costs?
 - Depreciation / Rent
 - Insurance
 - Interest Expense
 - Utilities
 - Housekeeping and Maintenance
 - Property Taxes
 - Administrative Salaries
 - Office Supplies
 - Legal
 - Accounting
 - Insurance
 - Telephone
 - Fringe Benefit Costs, including Payroll Taxes

Direct Costs for Non-CCBHC Services

- Part 3A- Direct Costs for Services other than CCBHC Services
 - This is the subtotal of direct costs for non-CCBHC services “*COVERED*” by Medicaid “*EXCLUDING*” overhead and “*SPECIFY*” in the comments tab.
- Part 3B – Non-Reimbursable Costs
 - Is the subtotal of direct costs for Non-CCBHC services “*NOT REIMBURSABLE*” by Medicaid and “*SPECIFY*” in comments tab.

Trial Balance Reclassifications Tab

- Reclassifies expenses to determine proper cost allocation
 - Must be identifiable in accounting records
 - Use when expenses apply to more than 1 expense category
- Example Staff Psychiatrist
- Narrative must support reclassification of expense

Trial Balance Adjustment Tab

- Used to Adjust Expenses in the Trial Balance
- Made on the basis of cost or revenue
- If an adjustment is made on the basis of cost the provider may not adjust the expense on the basis of cost in future cost reporting periods
- If total direct and indirect cost can be determined us cost as the basis of the adjustment
.....revenue as basis if not

Common Adjustments

- Investment income on restricted and unrestricted funds
- Home office costs
- Services provided by National Health Service Corps
- Depreciation Expense

Unallowable Costs

- Found in 45 CFR 75
- Examples
 - Related Party Transactions
 - Bad Debts
 - Certain Advertising and Public Relations Costs

Anticipated Costs Tab

- Additional costs for services needed to be a CCBHC
- Costs expected to increase as a result of offering CCBHC services
- Costs should support Medicaid and Non-Medicaid patients
- Allowed only in year demonstration year 1

Indirect Cost Allocation Tab

- Used to identify the method used for calculating allocable indirect costs to CCBHC services using:
 - Indirect rate approved by a cognizant agency
 - A 10% rate
 - Calculated indirect cost allocable to CCBHC
 - Other method

Allocation Descriptions Tab

- Used to describe calculations and methods that support the allocation methodology
- Additional documentation supporting allocations must be kept on file
- Allocation of direct costs must be detailed
 - Time Study
- Home office adjustments

Time Studies

- Why do a time study?
 - Allows you to accurately attribute costs to the correct cost center
 - Identifies how much administrative time is dedicated to those duties versus directly program related duties
 - Reduces your administrative costs

Daily Visits Tab

- PPS-1 only
- Visits by one patient to multiple locations on the same day may only be counted 1 time.
- Unique visit days directly from the CCBHC
- Unique visit days from DCO
- Anticipated unique visits

Monthly Visits Tab

- Used for PPS-2
- Patient Demographics Consolidated
 - Patient visits to multiple locations counted 1 time
- Categorize costs according to whether monthly outlier threshold and whether they were allocated to certain conditions

Services Provided Tab

- Used to record FTE's and # of services provided for CCBHC services for each type of practitioner
- This should be the units of service not days
- Must provide:
 - CCBHC staff services
 - CCBHC services under agreement
 - Services by site

Additional Tabs

- Comments Tab- used for considerations
- PPS-1 Rate Tab –auto populated
 - * Enter applicable Medicare Economic Index (MEI)
- PPS-2 Rate Tab
- Certification Tab
 - Must be an officer or other authorized administrator
 - CEO or CFO

Closing Thoughts

- ✓ The base period cost report is the foundation of your rate going forward. Prepare it carefully and with proper assistance.
- ✓ Ensure that a consistent standard for “visits” is used for
 - ✓ Cost report preparation and
 - ✓ Billing Medicaid.
- ✓ Carefully monitor rules/processes for updating CCBHC rates between DY1 and DY2.

Closing Thoughts

- ✓ Costs relating to designated collaborating organization (DCO) contracting will be included in the CCBHC's base period cost report (likely on anticipated basis).
 - ✓ Structure relationships with DCOs carefully, with input of counsel where needed.
- ✓ Cost-related reimbursement should not be an obstacle to CCBHCs' participation in payment reform activities such as ACOs, health homes, and value-based payment!

Questions??

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