

INTERIM RATES & COST REPORT ESTIMATES

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INTERIM RATES

The rate setting process is left to the
Intermediary's discretion

- No regulations guide or direct interim rate processes, timelines or guidelines - there is only a regulation that dictates that the Intermediary pay reasonable rates



Noridian Administrative Services

Intermediary for Washington, Oregon, Idaho, and Montana

Rate Setting Policy

- Interim rates reviewed three times a year through use of prior year cost report and a rate questionnaire.
 - 1st rate review -after prior year cost report accepted (no questionnaire)
 - 2nd mid year review - by 10th month of providers cost report period
 - 3rd year end review - within 90 days after provider year end
- If lump sum over \$50,000 payable or receivable in aggregate for all services (Part A, Part B, Swing, RHC)- Noridian will issue a lump sum.
- Noridian will accept an interim cost report in lieu of rate questionnaire and will accept a rate review request/interim cost report at any time during the year.



RATE SETTING PROCESS

- Noridian rate questionnaires often ask for three pieces of information in various forms:
 - Revenue information - did your posted rates increase?
 - Expense information - did your costs increase?
 - Volume information - did your overall patient volumes go up or down?
- Do not forget to include all expenses, especially large expenditures planned before the end of the year or known unaccrued liabilities.
- Also, if you believe volumes throughout the year have been higher than usual and will not be sustained throughout the remainder of the cost reporting period, you should indicate so.



RATE SETTING PROCESS

- Noridian will estimate an interim rate based on data from your prior year filed cost report and your current financial performance.
- Basically, if the results from their questionnaire indicates less than a 10% overall increase in the cost per diem or overall change in cost to charge ratio, they will use rate(s) calculated from the filed cost report. HOWEVER, if their calculation suggests any % decrease, your rate will be decreased.
- If you do not respond to the questionnaire, they will calculate rates based on the prior filed cost report only.



HOW TO ESTIMATE YOUR INPATIENT AND SWING BED RATE FROM YOUR COST REPORT

	Inpatient	Swing-Bed SNF
Inpatient per diem cost per Worksheet D-1, Part II, line 38	\$ 975	\$ 975
Per diem ancillary cost:		
Worksheet D-4: Hospital or Swing Bed, Col. 3, Line 103	300,000	30,000
Divided by Medicare days, Worksheet S-3, Part I, Col. 4, Line 1 Hospital days, Line 3 SB-SNF days	<u>651</u>	<u>141</u>
Calculated Medicare ancillary per diem	<u>461</u>	<u>213</u>
Total Medicare cost per diem	1,436	1,188
1% CAH add-on	<u>14</u>	<u>12</u>
Medicare interim rate based on cost report	\$ 1,450	\$ 1,200



HOW TO ESTIMATE YOUR OUTPATIENT RATE FROM YOUR COST REPORT

Calculated Medicare cost, D Part V, Col. 9	\$ 625,000
Divide by total Medicare charges, D Part V, Col. 5	<u>1,005,000</u>
Calculated Aggregate Outpatient Cost to Charge Ratio	62%
1% CAH add-on	<u>1%</u>
Medicare interim rate based on cost report	63%



HOW TO ESTIMATE YOUR RURAL HEALTH CLINIC RATE FROM YOUR COST REPORT

If new interim rate is based on filed cost report, you can find the new clinic(s) rate at Worksheet M-3, Line 9, Column 2



MEDICARE COST REPORT ESTIMATES

- We recommend you recompute cost report estimates at least quarterly
- Items needed:
 - Cost report estimate spreadsheet (from us)
 - Prior year filed cost report
 - Current processed claim summary (PS&R)
 - Current internal financial statements
 - Lump sum adjustments



MEDICARE COST REPORT ESTIMATE SPREADSHEET



MEDICAID COST REPORT ESTIMATES

- Every state has their own cost reimbursement methodology
- You can start with the following information:
 - Medicaid charges (not including managed care) by department
 - A recently filed Medicare cost report (to obtain departmental cost-to-charge ratios)
 - Your interim Medicaid rates paid by the State throughout the year



MEDICAID COST REPORT ESTIMATES

- Multiply department Medicaid charges times department cost-to-charge ratios (from Medicare cost report) to estimate Medicaid cost
- Multiply department Medicaid charges times state paid interim rates to estimate amounts paid
- Normally, the difference between the two numbers would be the estimated settlement, BUT...



MEDICAID COST REPORT
ESTIMATES

- Some State adjustments to consider:
 - Oregon-need to adjust cost-to-charge ratios by adding back physician revenue and professional fee cost to departments that utilize physician services.
 - Idaho-need to consider fee scale blend for surgery, radiology, and other diagnostic services
 - Washington - need to calculate a cost-to-charge ratio for acute care services



MEDICAID COST REPORT
ESTIMATES

BEST BET??

LET US HELP YOU WITH MEDICARE AND
MEDICAID ESTIMATES!



QUESTIONS?

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