

Hospice Financial Administration Update

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CAP Understanding/Management

- ▶ What is the CAP?
- ▶ Underlying the CAP
- ▶ CAP Year
- ▶ CAP Self-Reporting
- ▶ CAP Liability Computation
- ▶ MAC CAP Management
- ▶ CAP Reopenings

What is the CAP?

- ▶ C.F.R. §418.301 - Medicare reimbursement to a hospice in a “CAP Period” is limited to a CAP amount specified in §418.309.
- ▶ §418.309 - A hospice's aggregate CAP is calculated by multiplying the adjusted CAP amount (determined in paragraph (a) of this section) by the number of Medicare beneficiaries, as determined by one of two methodologies for determining the number of Medicare beneficiaries for a given CAP year described in paragraphs (b) and (c) of this section.
- ▶ (a) The CAP amount is \$6,500 per year and is updated using one of two methodologies described in paragraphs (a)(1) and (a)(2) of this section.

Underlying the CAP

- ▶ One lifetime limit for each hospice patient.
- ▶ The total amount of the individual beneficiary CAP is the per-beneficiary aggregate amount of payments (2017 CAP Year is \$28,404.99; 2016 CAP Year is \$27,820.75).
- ▶ The CAP for the hospice is applied on an aggregate method, not on an individual patient basis.
- ▶ The CAP Year represents the service period for which payments are made, which is then compared to the computed CAP to determine if an overpayment exists (“CAP liability”).

CAP Year

- ▶ Historically, the CAP Year has run from November 1st through October 31st of the following year, i.e. the 2016 CAP Year started on November 1, 2015 and ended on October 31, 2016.
- ▶ CMS has aligned the CAP Year for both the inpatient CAP and the hospice aggregate CAP (CAP) with the federal fiscal years for FY 2017 and thereafter.
- ▶ The following table illustrates the impact of the change in CAP Year.

Hospice CAP Self-Reporting

- ▶ Historically, the MACs would make all computations and notify the hospice of any CAP liability between 9-18 months after the end of the CAP Year.
- ▶ CMS was concerned that repayments were significantly delayed or going unrecovered.
- ▶ CAP Reporting (self-reporting) was established beginning with the 2014 CAP Year (CAP Year ended October 31, 2014).

CAP Liability Computation

	CAP Reporting Method	Final Computation Method
Beneficiary count	341.0002	341.0002
Per-beneficiary CAP	\$ 28,404.99	\$ 28,404.99
CAP	\$ 9,686,107.27	\$ 9,686,107.27
Payments	\$ 9,800,000.00	\$ 10,000,000.00
Gross liability	\$ 113,892.73	\$ 313,892.73
Sequestration add-back		\$ 6,277.85
CAP liability	\$ 113,892.73	\$ 307,614.88

MAC CAP Management Process

- ▶ Providers prepare and submit CAP Report on or before the end of the 5th month following the end of the CAP Year (February 28, 2018 for the 2017 CAP Year).
- ▶ MAC reviews and updates the CAP Report submitted (September - December, 2018). Payments will be at gross, not net as (used in the self-reporting).
- ▶ MACs review and update prior year computations for the declining number of beneficiaries.
- ▶ Process continues until all patients served in the CAP Year are deceased.

CAP Reopenings

- ▶ While most observers and hospices were of the understanding that CAP liability computations could be reopened for a period of three (3) years from the Original Determination, such may not be the case.
- ▶ If a revision is made in a Secretary or contractor determination, or a decision by a reviewing entity after the determination or decision is reopened, the revision must be considered a separate and distinct determination or decision, subject to up to three (3) years of possible reopening. CAP computations appear to be subject to revision until all patients served in the CAP Year are deceased.

Tracking Revenue/Day

▶ Medicare and Other

- ▶ The tracking of revenue/day can be accomplished by taking revenues in the accounting records (net revenues) and dividing the revenues by days for the appropriate period of time. This is only accurate if revenues are recorded accurately on the accrual-basis in the accounting records.
- ▶ If records throughout the year are maintained on the cash-basis of accounting, revenues will not be recognized in the accounting records in the same month that the days were actually generated.

Medicare Revenue/Day

- ▶ Even if the accounting records are maintained on the accrual-basis, some revenue adjustments may not be recognized in the appropriate month. However:
 - ▶ Medicare revenue can be tracked using PS&R data (recommended)
 - ▶ This PS&R revenue number can be used for the following:
 - ▶ Comparison to accounting records for assessing the quality of the revenue in the accounting records
 - ▶ Monitoring Medicare revenue trends for:
 - ▶ Objective achievement
 - ▶ Budgeting purposes
 - ▶ PS&R Data is Accurate (rare exceptions)

Securing Medicare Revenue/Day

- ▶ Select the period of time that you want to compare (example is January 1, 2016 through August 31, 2016)
 - ▶ You want to select a period where the majority of billings would have been processed and payments collected.
 - ▶ The comparison includes all levels of care (changes in patient days by level of care can influence the calculation). You may need to pull out inpatient care, respite care, and continuous care revenues and days to look closely at routine home care.
 - ▶ Determine what ongoing revenue information is meaningful to you and can be continuously tracked.
 - ▶ Medicare payments (PS&R System) allows for significant flexibility in the nature of the information secured.

Medicare Revenue (PS&R) (2016)

	Gross				
2016	Reimbursement	Days	Per-Day	Claims	Per-Claim
January	\$ 1,506,414.84	8,719	\$ 172.77	370	\$ 4,071.39
February	\$ 1,471,691.17	8,444	\$ 174.29	354	\$ 4,157.32
March	\$ 1,609,773.05	9,265	\$ 173.75	367	\$ 4,386.30
April	\$ 1,483,710.71	8,614	\$ 172.24	351	\$ 4,227.10
May	\$ 1,448,363.44	8,503	\$ 170.34	330	\$ 4,388.98
June	\$ 1,333,222.20	7,828	\$ 170.31	330	\$ 4,040.07
July	\$ 1,307,338.80	7,648	\$ 170.94	304	\$ 4,300.46
August	\$ 1,282,431.63	7,446	\$ 172.23	303	\$ 4,232.45
September	\$ 1,269,126.82	7,382	\$ 171.92	306	\$ 4,147.47
October	\$ 1,353,796.55	7,572	\$ 178.79	312	\$ 4,339.09
November	\$ 1,270,724.69	7,099	\$ 179.00	289	\$ 4,396.97
December	\$ 1,146,848.16	6,499	\$ 176.47	268	\$ 4,279.28
Year	\$ 16,483,442.06	95,019	\$ 173.48	3,884	\$ 4,243.93
Check	\$ 16,483,442.06	95,019			

Medicare Revenue (PS&R) 2017

2017	Gross		Per-Day	Claims	Per-Claim
	Reimbursement	Days			
January	\$ 1,181,623.34	6,662	\$ 177.37	289	\$ 4,088.66
February	\$ 1,133,904.75	6,268	\$ 180.90	302	\$ 3,754.65
March	\$ 1,280,430.94	6,921	\$ 185.01	305	\$ 4,198.13
April	\$ 1,271,423.46	6,894	\$ 184.42	301	\$ 4,224.00
May	\$ 1,230,451.95	6,764	\$ 181.91	280	\$ 4,394.47
June	\$ 1,080,396.34	6,028	\$ 179.23	265	\$ 4,076.97
July	\$ 1,106,431.55	6,078	\$ 182.04	251	\$ 4,408.09
August	\$ 893,980.08	4,821	\$ 185.43	218	\$ 4,100.83
Year	\$ 9,178,642.41	50,436	\$ 181.99	2,211	\$ 4,151.35
Check	\$ 9,178,642.41	50,436			

Tracking Expenses Per-Day

- ▶ The chart of accounts should capture expense information into logical components.
- ▶ These components of cost can then be converted to cost/day information.
- ▶ Cost/day information can be reviewed on a monthly basis, year-to-date basis, and compared against budget.
- ▶ Determine what ongoing information is important to you - remember inpatient and inpatient respite care should not be combined with other expenses, if significant.

Sample Cost/Day

	September							
	Salaries Cost		Other Cost		Benefits Cost		Total Cost	Cost Per-Day
	Salaries	Per Day	Other Cost	Per Day	Benefits	Per Day		
Physician Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nurse Practitioner	514.00	0.29	-	-	42.62	0.02	556.62	0.32
Registered Nurses	40,074.00	22.85	3,711.00	2.12	3,322.92	1.89	47,107.92	26.86
LPN	122.00	0.07	41.00	0.02	10.12	0.01	173.12	0.10
Medical Supplies	-	-	7,179.00	4.09	-	-	7,179.00	4.09
Aides and Orderlies	11,630.00	6.63	4,558.00	2.60	964.36	0.55	17,152.36	9.78
Patient Care Coordinator	7,019.00	4.00	-	-	582.01	0.33	7,601.01	4.33
Social Services	434.00	0.25	122.00	0.07	35.99	0.02	591.99	0.34
Spiritual Counseling	9,136.00	5.21	1,370.00	0.78	757.55	0.43	11,263.55	6.42
DME	-	-	7,079.00	4.04	-	-	7,079.00	4.04
Drugs	-	-	12,623.00	7.20	-	-	12,623.00	7.20
Direct Service Expenses	<u>\$ 68,929.00</u>	<u>\$ 39.30</u>	<u>\$ 36,683.00</u>	<u>\$ 20.91</u>	<u>\$ 5,715.57</u>	<u>\$ 3.26</u>	<u>\$ 111,327.57</u>	<u>\$ 63.47</u>
Administrative Salaries	\$ 12,414.00	\$ 7.08	\$ 3,679.00	\$ 2.10	\$ 1,029.36	\$ 0.59	\$ 17,122.36	\$ 9.76
Home Office Allocation	-	-	14,176.00	8.08	-	-	14,176.00	8.08
Other Administrative Costs	-	-	25,972.00	14.81	-	-	25,972.00	14.81
Medical Director	7,167.00	4.09	-	-	594.29	0.34	7,761.29	4.42
Volunteer Coordination	-	-	-	-	-	-	-	-
Community Education	11,008.00	6.28	1,759.00	1.00	912.78	0.52	13,679.78	7.80
Marketing	-	-	2,269.00	1.29	-	-	2,269.00	1.29
Facility Costs	-	-	3,344.00	1.91	-	-	3,344.00	1.91
	<u>\$ 30,589.00</u>	<u>\$ 17.44</u>	<u>\$ 51,199.00</u>	<u>\$ 29.19</u>	<u>\$ 2,536.43</u>	<u>\$ 1.45</u>	<u>\$ 84,324.43</u>	<u>\$ 48.08</u>
	<u>\$ 99,518.00</u>	<u>\$ 56.74</u>	<u>\$ 87,882.00</u>	<u>\$ 50.10</u>	<u>\$ 8,252.00</u>	<u>\$ 4.70</u>	<u>\$ 195,652.00</u>	<u>\$ 111.55</u>

Sample Cost/Day

	Year to Date							
	Salaries		Other Cost		Benefits		Total Cost	Cost Per-Day
Physician Services	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Nurse Practitioner	2,539.00	0.19	58.00	0.00	239.38	0.02	2,836.38	0.21
Registered Nurses	350,598.00	26.51	36,398.00	2.75	33,054.14	2.50	420,050.14	31.77
LPN	2,778.00	0.21	337.00	0.03	261.91	0.02	3,376.91	0.26
Medical Supplies	-	-	39,999.00	3.02	-	-	39,999.00	3.02
Aides and Orderlies	110,592.00	8.36	40,687.00	3.08	10,426.54	0.79	161,705.54	12.23
Patient Care Coordinator	60,322.00	4.56	162.00	0.01	5,687.12	0.43	66,171.12	5.00
Social Services	27,325.00	2.07	2,924.00	0.22	2,576.18	0.19	32,825.18	2.48
Spiritual Counseling	81,071.00	6.13	10,862.00	0.82	7,643.32	0.58	99,576.32	7.53
DME	-	-	48,397.00	3.66	-	-	48,397.00	3.66
Drugs	-	-	81,951.00	6.20	-	-	81,951.00	6.20
Direct Service Expenses	<u>\$635,225.00</u>	<u>\$ 48.04</u>	<u>\$261,775.00</u>	<u>\$ 19.80</u>	<u>\$59,888.57</u>	<u>\$ 4.53</u>	<u>\$ 956,888.57</u>	<u>\$ 72.37</u>
Administrative Salaries	\$ 82,125.00	\$ 6.21	\$ 13,274.00	\$ 1.00	\$ 7,742.69	\$ 0.59	\$ 103,141.69	\$ 7.80
Home Office Allocation	-	-	185,939.00	14.06	-	-	185,939.00	14.06
Other Administrative Costs	-	-	195,436.00	14.78	-	-	195,436.00	14.78
Medical Director	35,597.00	2.69	15,831.00	1.20	3,356.06	0.25	54,784.06	4.14
Volunteer Coordination	-	-	-	-	-	-	-	-
Community Education	89,836.00	6.79	17,237.00	1.30	8,469.68	0.64	115,542.68	8.74
Marketing	-	-	44,744.00	3.38	-	-	44,744.00	3.38
Facility Costs	-	-	39,381.00	2.98	-	-	39,381.00	2.98
	<u>\$207,558.00</u>	<u>\$ 15.70</u>	<u>\$511,842.00</u>	<u>\$ 38.71</u>	<u>\$19,568.43</u>	<u>\$ 1.48</u>	<u>\$ 738,968.43</u>	<u>\$ 55.89</u>
	<u>\$842,783.00</u>	<u>\$ 63.74</u>	<u>\$773,617.00</u>	<u>\$ 58.51</u>	<u>\$79,457.00</u>	<u>\$ 6.01</u>	<u>\$1,695,857.00</u>	<u>\$ 128.25</u>

Monitoring Billing and Collections (Summary)

	September	Year-To-Date
Beginning Receivable	\$ 454,290.99	\$ 611,235.15
Monthly Billings:		
Room and Board Billings	\$ 102,891.17	\$ 940,999.26
Hospice Service Billings	247,152.33	1,745,072.43
	\$ 350,043.50	\$ 2,686,071.69
Replacement Bills	28,401.20	873,851.72
Bills Created and Voided	(10,390.70)	(450,619.77)
Prior Periods Bills Voided	(14,991.19)	(437,685.03)
Net Receivable Increase	\$ 353,062.81	\$ 2,671,618.61
Adjustments:		
Medicaid Room and Board	\$ (3,537.96)	\$ (1,334.82)
Notice of Election	-	(85,370.72)
Bad Debt	-	(44,803.63)
Sequestration	(4,704.61)	(34,424.47)
Other	3,440.99	11,065.44
	\$ (4,801.58)	\$ (154,868.20)
Collections	\$ (339,518.51)	\$ (2,664,951.85)
Ending Receivable, before allowances	\$ 463,033.71	\$ 463,033.71

Budget (Monitor) Cash Flow – Revenue Cycle

	January 31, 2017	Percentage	June 30, 2017	Percentage
10th of Subsequent Month	\$ 14,665.76	1.28%	\$ 33,069.97	4.39%
15th of Subsequent Month	\$ 14,665.76	1.28%	\$ 48,127.06	6.39%
20th of Subsequent Month	\$ 14,665.76	1.28%	\$ 48,127.06	6.39%
25th of Subsequent Month	\$ 902,117.87	78.63%	\$ 598,992.55	79.50%
End of Subsequent Month	\$ 989,070.59	86.21%	\$ 613,725.50	81.45%
5th of Second Subsequent	\$ 1,075,386.00	93.73%	\$ 618,045.31	82.02%
10th of Second Subsequent Month	\$ 1,106,008.25	96.40%	\$ 627,985.06	83.34%
15th of Second Subsequent Month	\$ 1,116,046.37	97.28%	\$ 627,985.06	83.34%
21st of Second Subsequent Month	\$ 1,122,579.30	97.85%	\$ 701,124.63	93.05%
End of Second Subsequent Month	\$ 1,147,272.80	100.00%	\$ 753,491.21	100.00%

Tracking LLOS

- ▶ Lifetime length of stay (“LLOS”) is the driver of CAP liabilities. It is an accurate measure of total patient history in the hospice program. This is a measure that should be monitored by all hospices even if you do not have, or expect to have, a CAP problem in the near future.
- ▶ Comparable LLOS requires consistent data. PS&Rs, as modified, make it more difficult to secure consistent data.
- ▶ Process:
 - ▶ Secure and retain PS&R information used for CAP Report each year.
 - ▶ Pick a mid-year date and secure PS&R information as if you were going to prepare a CAP Report.
 - ▶ This provides comparable information on an ongoing basis.

Changes in LLOS

	2015	2016
CAP Report (Claims through 2/12/2016)		
Beneficiaries	342.146	
Payments	\$ 9,052,522.68	
CAP	\$ 27,382.63	
Patient Days	56,646	
Reimbursement/day	\$ 159.81	
Days to CAP	171.35	
LLOS	165.56	
CAP Report (Claims through 2/08/2017)		
Beneficiaries		377.6168
Payments		\$ 9,463,648.46
CAP		\$ 27,820.75
Patient Days		59,204
Reimbursement/day		\$ 159.85
Days to CAP		174.04
LLOS		156.78
LLOS compared to 2015		94.6983%

Cost Reporting & Changes

- ▶ Annual Medicare cost report due on or before end of 5th month following year-end
- ▶ Accumulates costs by level of care
- ▶ Changes
 - ▶ Level 1 edits increased, causing need to make certain accounting records capture certain costs, i.e. Volunteer Coordination
 - ▶ Pharmacy moved to patient care service costs

PIP Reimbursement

- ▶ Opportunity to increase cash flow
- ▶ Payments every two weeks rather than as claims are processed
- ▶ Reporting is minimal

Questions - Discussion

