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RHC Cost Reporting: What you need to know

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Objectives

- **Understand the RHC reimbursement model**
- **Identify what data elements affect reimbursement and how**
- **Learn the common cost report calcs and where they are located on the cost report**
- **Learn how clinic operations affect final reimbursement**

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Why When How?

Medicare will cut off payments to the clinic for an unfiled cost report

Cost reports are due 5 calendar months from the clinic's year end

Cost reports must be submitted in electronic format (ECR File) on CMS approved vendor software via MCReF or Hard Copy (Independent).

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What does the Cost Report do?

Reconciles Medicare's interim payment method to actual cost per visit

Determines **future interim payment** rates

It is where you **get paid** for:

- Pneumo, Flu, Hep B and Covid **vaccine costs**
- Medicare **Bad Debt**

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How is the RHC rate calculated?

COST / VISITS =

RHC RATE

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Is that what I get?

Provider based >50 bed hospital: Capped same as independent

Provider based <50 bed hospital:

- **Actual cost per visit from reports ending in 2020, indexed by MEI for existing RHCs**
- **Capped same as others for new provider based RHCs after 12/31/2020**

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RHC CAP RATES:

Where we were: **$87.52.**

4/1/21-12/31/21: **$100.00**

Where we are:

2022	$113.00
2023	$126.00
2024	$139.00
2025	$152.00
2026	$165.00
2027	$178.00
2028	$190.00

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Change of Focus:

For independent and larger hospital RHCs, we focused on 'making the cap' year after year

For future periods, we will focus on consistent year over year cost per visit to avoid large paybacks

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Change of Focus:

For less than 50 bed hospital

RHCs, no cap was applied in prior years

For future periods, we will focus on targeting an optimal cost per visit that will maximize the cap without going too far over

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What information do I gather for the cost report?

- Financial Statements including depreciation schedules
- Visits by type of practitioner (and how many were telehealth)
- Clinic hours of operation
- FTE calculations
- Total number of clinical staff hours worked during the cost report period

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What information do I gather for the cost report?

- Salaries by employee type
- Vaccine logs and invoices
- Telehealth Volume (and time if kept)
- CCM Volume
- Related Party Transactions

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What information do I gather for the cost report?

- Medicare Bad Debt
- Laboratory Costs/Data
- Non-RHC X-ray Costs/Data
- PSR - obtained on-line through Medicare

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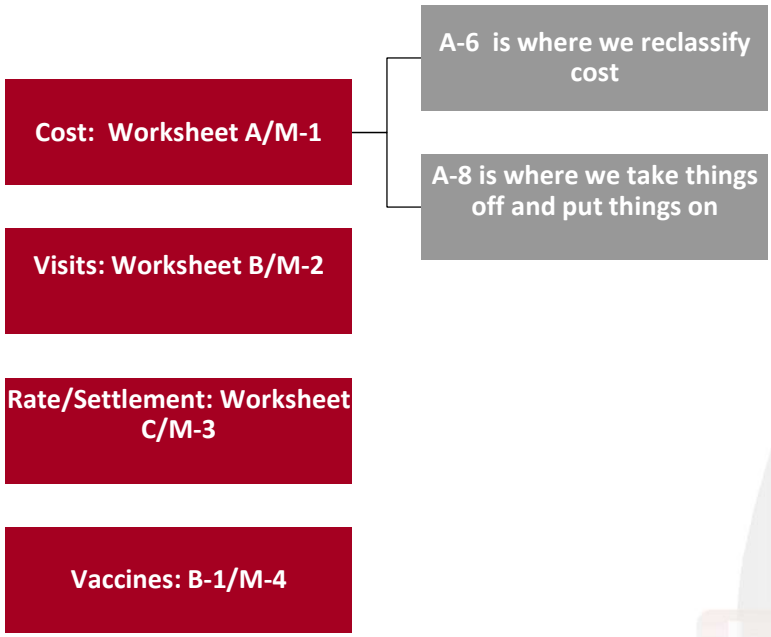
Where are these located:



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Statistics on Worksheet S-1 – Independent/S-8 Provider Based

- **Facility Name**
- **Entity Status**
- **Hours of Operation**
- **Related Organization information**

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S-3 RHC Visit breakdown

- Medical
- Mental Health (including telehealth from 1/1/22)
- Interns and Residents

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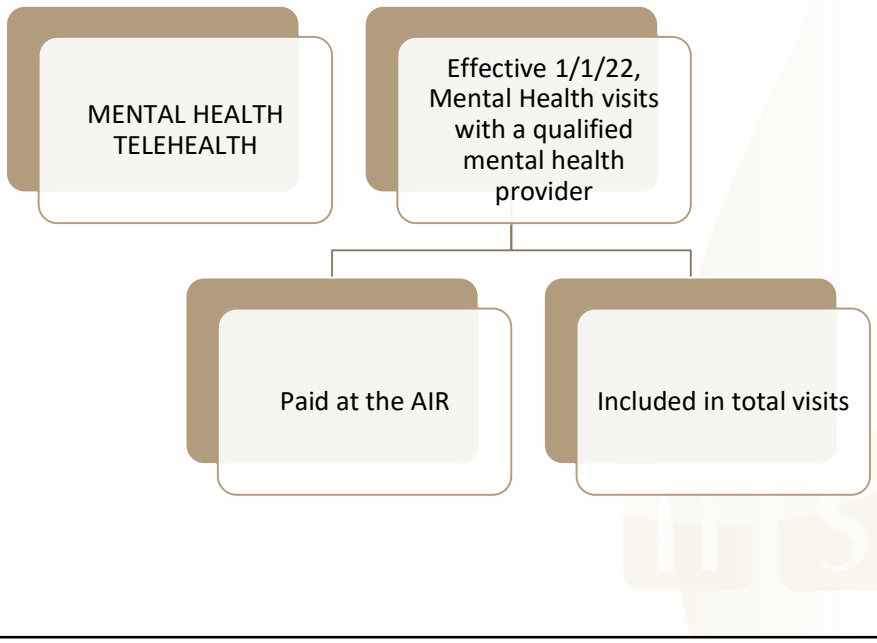

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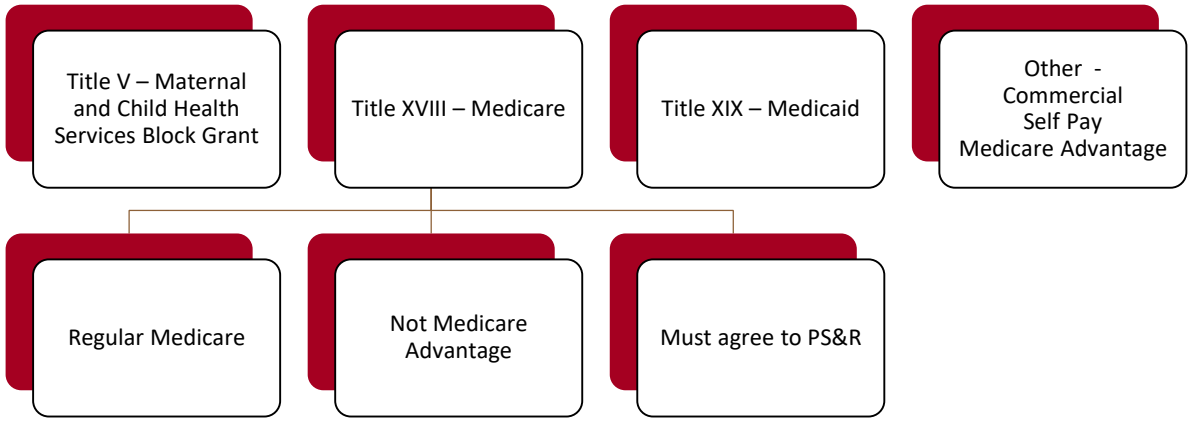
S-3 RHC Visit breakdown



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How is the rate calculated?

COST / VISITS =

RHC RATE

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Worksheet A / Worksheet M-1 – Expense Reporting

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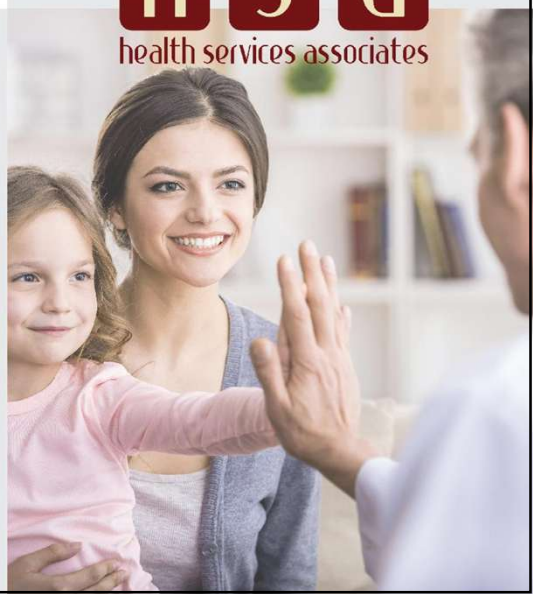
Expense Reporting – What you need

- BALANCE SHEET
- PROFIT AND LOSS STATEMENT
- TRIAL BALANCE



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Expense Reporting – How you need it

- **Financial Statements must match cost reporting period**
- **For most this will be 1/1/xx– 12/31/xx.**
- **For new clinics, financial statements must reflect costs from the date of the clinic's certification to the end of their first fiscal year.**

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Expense Reporting – Where it goes

- **All costs from the financial statements must be reflected in columns 1 and 2 of worksheet A (independent) or M-1 (provider-based)**
  - ✓ Column 1: Compensation
  - ✓ Column 2: All Other
- **Expenses should be detailed enough to properly classify within cost report categories**

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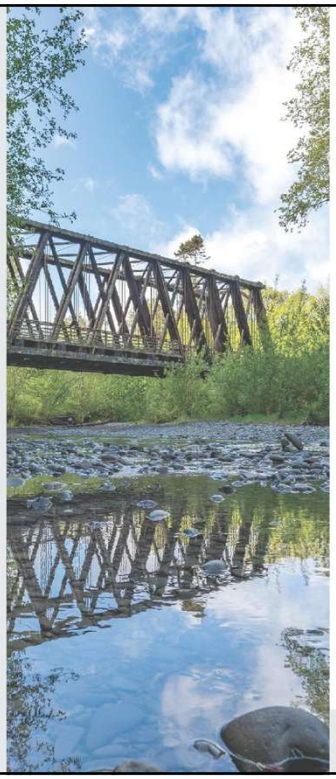

COSTS – WORKSHEET A/M-1

- Healthcare Costs
- Overhead
- Non-RHC

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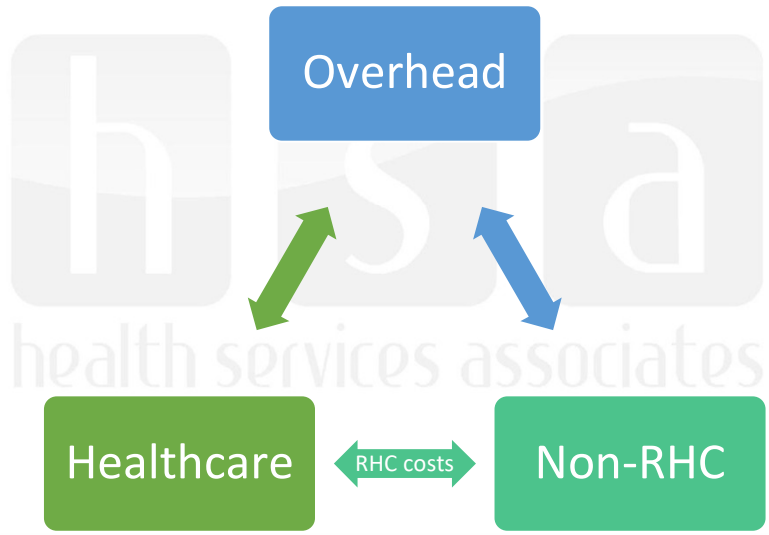
Overhead Allocations



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Healthcare Costs

- Compensation for healthcare staff
- Compensation for physician supervision
- Medical Supplies
- Malpractice/License fees/CME

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Other Health Care Costs

- MALPRACTICE AND OTHER INSURANCE (PREMIUM CAN NOT EXCEED AMOUNT OF AGGREGATE COVERAGE)
- PROFESSIONAL DUES AND SUBSCRIPTIONS
- MEDICAL SUPPLIES
- FLU, PNEUMO AND COVID VACCINES
- TRANSPORTATION OF HEALTH CENTER PERSONNEL BETWEEN CLINICS OR OTHER HEALTHCARE LOCATIONS

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Overhead

TWO TYPES

- FACILITY
- ADMINISTRATIVE

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Facility Overhead

RENT

INSURANCE

INTEREST ON MORTGAGE

UTILITIES

OTHER BUILDING EXPENSES

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Administrative Overhead

- OFFICE SALARIES
- OFFICE SUPPLIES
- LEGAL/ACCOUNTING
- TELEPHONE/IT COSTS
- OTHER ADMINISTRATIVE COSTS

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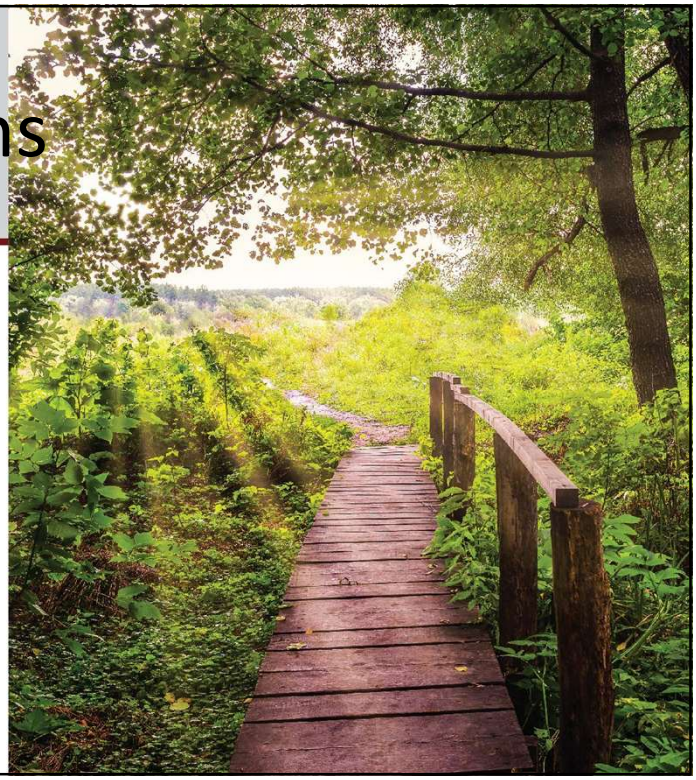
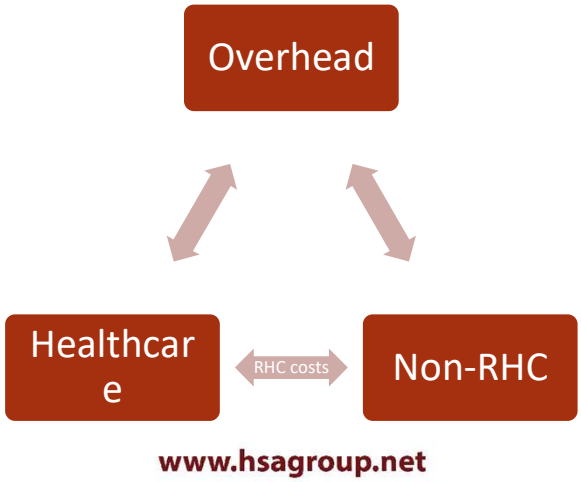
Overhead allocations





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Non-RHC

Only include items that use overhead!

Most common Non-RHC

- Technical component of Lab, X-Ray, EKG
- CM and Telemedicine
- Other items not covered under the RHC program or paid outside of the RHC rate

ONLY LEAVE AMOUNTS IN THE NON-RHC SECTION IF THEY NEED TO CAPTURE OVERHEAD

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Worksheet A-6 / A-8 – Adjustments to cost

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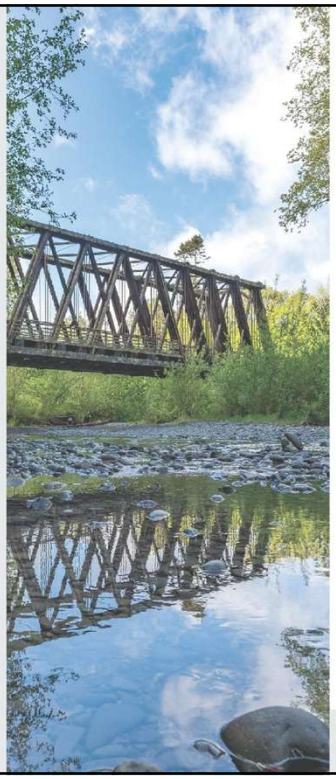

Adjustments

Worksheet A-6: Used to reclassify costs to appropriate cost centers

Worksheet A-8: Used to include additional or exclude non-allowable costs

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Exclude…

Entertainment	Gifts	Charitable Contributions	Automobile Expense – where not related to patient care

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Possible cost additions…

- Depreciation should be adjusted from tax basis to Medicare basis (straight line)
- Owner's compensation for sole proprietors and partnerships

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Income offsets…

- INTEREST INCOME UP TO INTEREST EXPENSE
- MEDICAL RECORDS INCOME
- INCOME FROM SPACE RENTED TO OTHERS (UNLESS YOU CAN IDENTIFY COSTS)
- OTHER MISCELLANEOUS INCOME

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How is the rate calculated?

RHC COST / RHC VISITS =

RHC RATE

If it paid outside/different than the rate, it must be removed from RHC cost and not counted as a visit!

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What is paid outside of the rate?

- Labs – Billed to Part B
- Radiology – Split billed
- EKG – Split billed
- Telehealth
- Care Management

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The cost of these services must be removed from RHC cost.

–But how?

- Reclassify? The direct costs are reported in a non-reimbursable cost center and pull overhead
- Remove? The non-reimbursable costs are excluded (no overhead allocations)

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LABS
RADIOLOGY
EKG

LABS:
- Through hospital if provider-based
- To Part B Medicare if independent

Radiology
- Split billed to Part B

EKG
- Split billed to Part B

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TELEHEALTH

REMINDER - Mental health telehealth
– paid as a visit under the AIR

Physical telehealth

- For 2026: RHCs will be paid 80% of $97.53 after deductible is met with the patient owing 20% or $18.89
- If the charge is lower than the $97.53, then the RHC will be paid 80% of that amount

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Exclude or Reclassify?

- For telehealth – if using the clinic's EMR, billers, front desk, referral coordinators, etc., you may need to reclassify direct cost.
- If telehealth visits are performed by the provider from their home, an exclusion with limited overhead components may be appropriate.
- Discuss with your RHC cost report expert

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Telehealth costs are Non-RHC

For reclassifications:

- Only allocate DIRECT costs
  - Practitioner and clinical support staff wages
- Overhead will allocate through the cost report

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Care Management

- Advanced Primary Care Management Services (APCM)
- Transitional care management (TCM)
- **Chronic care management (CCM)**
- Principal care management (PCM)
- Chronic pain management (CPM)
- General behavioral health integration (BHI)
- Remote physiologic monitoring (RPM)
- Remote therapeutic monitoring (RTM)
- Community Health Integration (CHI)
- Principal Illness Navigation (PIN)
- Principal Illness Navigation Peer-Support (PIN-PS)

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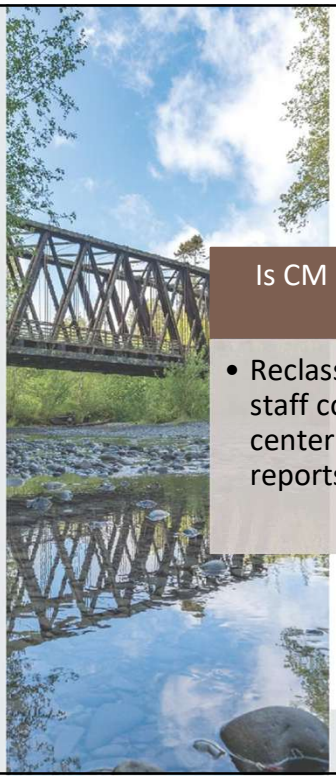

Care Management

Is CM done in the clinic, by clinic staff?

- Reclassify direct healthcare staff costs into Non-RHC cost centerine 80 on independent reports

Is CM handled by an outside company?

- Exclude direct CCM costs
- Exclude associated billing costs/incremental overhead costs

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Worksheet A-8-1
Related Party Transactions

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Related Party Transactions

Medicare allows actual cost (only) for items and services purchased from a related party

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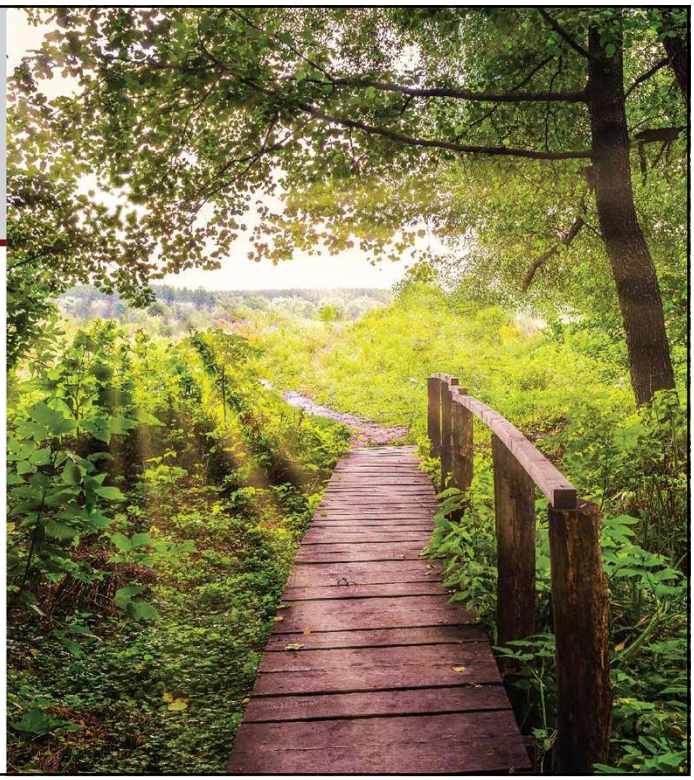

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Related Party Transactions

- Most common related party transaction is related party building ownership (e.g. building is owned by the doctors which also own the clinic – clinic pays ‘rent’ to docs)
- Cost must be reduced to the ‘cost of ownership’ of the related party
- Cost is adjusted to actual expense incurred by the related party

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Worksheet B / Worksheet M-2 Visits

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How is the rate calculated?

COST / VISITS =

RHC RATE

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What visits to count and how visit fluctuations affect your rate

- Face to face encounters with RHC practitioners

Do not include

- Nurse only (99211)
- Lab/BP Check only
- Hospital/Inpatient visits
- Medical Telehealth

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Revenue Code 521

- In person at AIR
- Telehealth paid $97.53

Revenue Code 900

- Mental Health Provider
- Paid at AIR

Mental Health Telehealth

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Worksheet B-1 / Worksheet M-4 Vaccine Reporting

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New Developments for Vaccines

- Hepatitis B – New 1/1/25
- Billing for Flu/Pneumo/Covid
- Still cost settled!
- **CHANGE effective 7/1/2025!!**
- OUR READ – NOT OFFICIAL: Bill regular Medicare on UB 04 on separate lines not bundled with visit.
- Medicare will pay vaccines through claim process.

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Vaccine Information

- Seasonal Influenza, Pneumococcal, Covid, Hep B and Monoclonal Antibody reporting have four data elements:
- Staff Time Ratio
- Total given of each to ALL insurance types
- Total Medicare given of each (Medicare log must accompany cost report)
- Cost of vaccines/antibodies must be reported in (or reclassified to) the appropriate cost centers on A for independent RHCs.

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Total number of clinical staff hours worked per year becomes the denominator in the vaccine ratio. All clinical staff are included, as all clinical salaries are used in the cost report calculation

- **Physicians**
- **RN/LPN**
- **MA**

Vaccine staff time ratio

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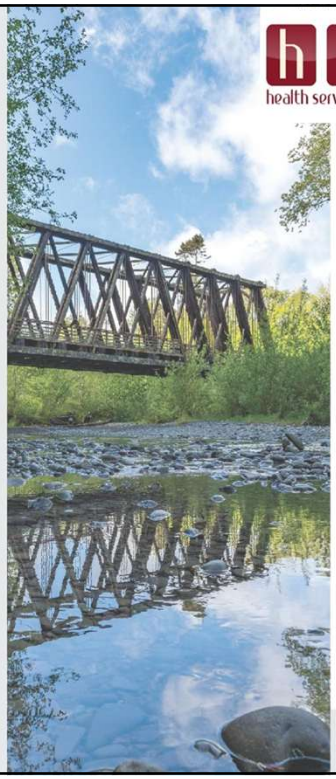
Vaccine staff time ratio

Ten minutes is the accepted time per vaccine administration for Flu and Pneumo

Time Studies recommended for Covid vaccines & antibody treatments

Total Vaccines x 10 minutes/60 minutes = 'total vaccine administration hours'

Divide 'total vaccine administration hours' by total clinical hours worked for **Staff Time Ratio**



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Vaccine Documentation

Clinic must maintain logs of Flu, Pneumo, Hep B and Covid vaccines administered

For Traditional Medicare beneficiaries

Patient Name

Medicare Number

Date of Vaccine

Vaccine brand

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Worksheet C / Worksheet M-3 Settlement data

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Settlement Data

- Data is pulled from the clinic's PS&R
- Medicare visits – include preventive visits
- Deductibles
- Total Medicare charges
- Medicare preventive charges

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Settlement Data

- Data is pulled from the clinic's PS&R
- Primary Payer Payments – MSP payments
- Medicare payments
- Bad Debts – Total
- Bad Debt – Dual Eligible

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PS&R

A COPY OF YOUR PS&R (PROVIDER STATISTICAL AND REIMBURSEMENT SYSTEM REPORT) WILL NEED TO BE OBTAINED BY THE CLINIC ELECTRONICALLY THROUGH CMS'S ENTERPRISE PORTAL AT HTTPS://PORTAL.CMS.GOV/

GO TO THE FOLLOWING LINK TO ACCESS THE PS&R: HTTPS://PSR-UI.CMS.HHS.GOV

NOTE: IF YOU NEED ACCESS OR ARE HAVING DIFFICULTY CHANGING YOUR PASSWORD, PLEASE CALL THEIR HELP DESK AT 866-484-8049

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- Login using your user ID and password (you may have a two step authentication)
- Enter your user ID and Password
- "Request Report" (at the top under blue CMS banner)
- Select "Request Summary"
  It should be defaulted to the "By Report Type" button…select Report Type 710 and hit the >> button to move it into the 'selected report types' field
- Do the same for report type 71S
- Hit "Continue"
- Leave interval as "year" and input 01/01/2026 in the start date field
- Hit "Apply"
- Hit "Continue"
- Select PDF, and hit "Continue"
- Hit "Submit"
- The next hour or two, check back to the report inbox for your report.

PS&R

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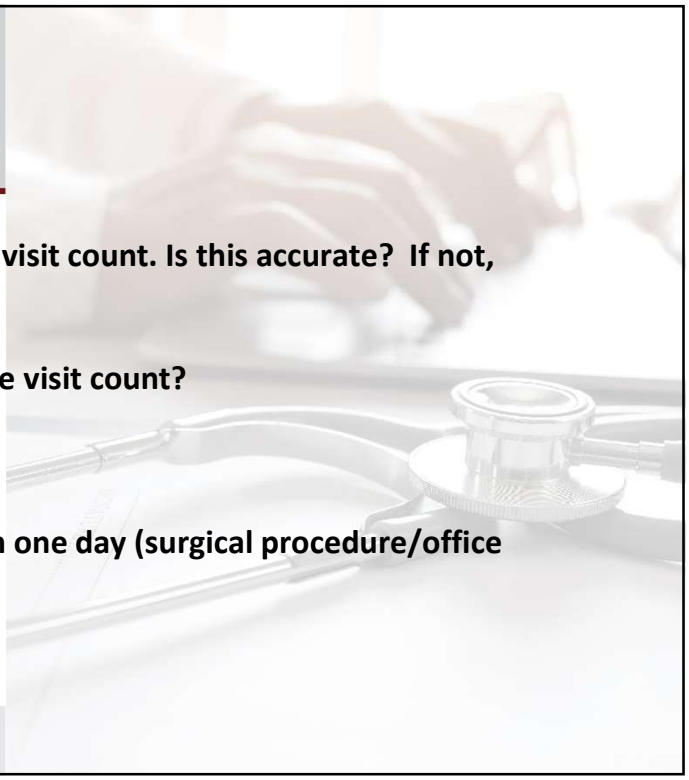
PS&R



- ✓ Compare PS&R total to your Medicare visit count. Is this accurate? If not, determine why:
- ✓ Were incidental services included in the visit count?
- ✓ Were dual-eligible counted twice?
- ✓ Did more than one visit get counted on one day (surgical procedure/office visit)?

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Medicare Bad Debt

- RHCs are reimbursed at 65% of allowable bad debts
- Enter TOTAL bad debts into the cost report
- The cost report will calculate the allowable 65%

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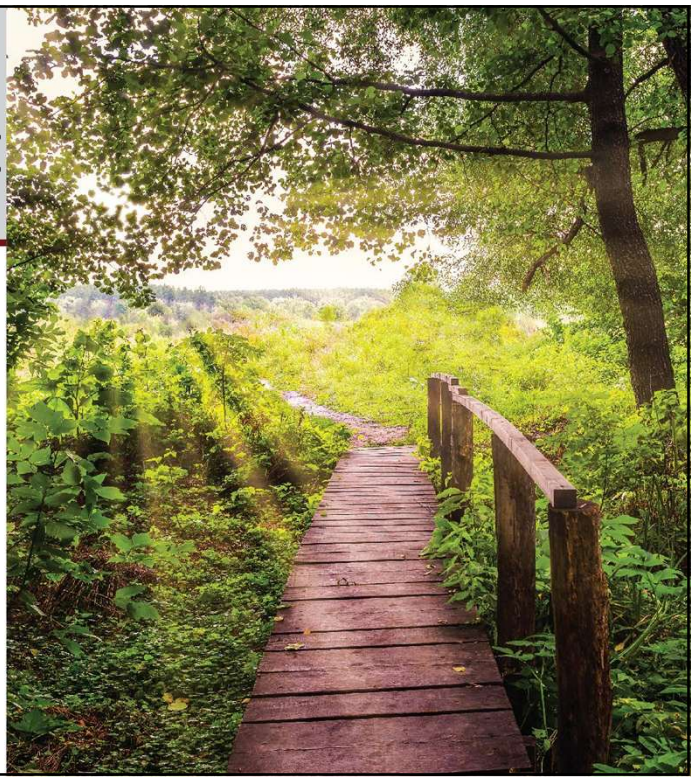

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QUESTIONS

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