CostFlex Cost Reimbursement Computations for CAH Hospitals

Client Shared Story

The Need for Cost Reimbursement Computations

One of the challenges for a critical access hospital is determining the actual reimbursement that will eventually be paid on Medicare and other cost-reimbursed accounts. In the case of North Valley Hospital in Whitefish Montana, Medicare and Medicaid are both cost-reimbursed and comprise half of the Hospital's total revenues.

When pulling account data out of any software program, the payment received from Medicare is the interim rate paid making it necessary to apply additional computations to determine the ultimate payment that will be received through the year-end cost report filing. By applying the final payment expected, services that initially appear to generate a net loss based on the payment received can change to reflect a net profit when the final reimbursement amount is applied.

The Old Process

In order to determine the true financial picture, we would pull our CostFlex cost accounting reports first by financial class to determine the profit/loss for the commercial and private pay accounts. A second report would be run by financial class and revenue code. The revenue codes and charges for cost-based payors would be input into a spreadsheet template we developed that would look up the revenue code and apply the corresponding cost-to-charge ratio to the charges, allowing us to compute the final payment expected for our Medicare and Medicaid accounts. The charges, costs and reimbursement information for all payors would be input into a new spreadsheet report which was provided to the requestor.

The above process worked fine for most requests which usually covered a limited number of services or a small group of physicians if administration was reviewing the profit/loss of practitioners doing the same service. The tipping point came when administration wanted to review the profit/loss of each individual surgeon. This would entail sorting by physician/financial class/revenue code for over 50 physicians, inputting the Medicare and Medicaid revenue codes and charges to compute actual reimbursement (over 100 computations), then creating a report with the final profit/loss including all payors for each practitioner. The amount of time required to do this was going to be extensive!

Before starting this project, an email was sent to CostFlex outlining the project and usual process for re-computing the payment amount and a suggestion to consider developing a cost accounting software enhancement that would allow users to compute the actual cost reimbursement in CostFlex so reports could be pulled and used directly from the system without having to perform additional computations. An immediate response was received with a request to dial into our program to show how this could be done.

The New Process

The New Process utilizes features in the Contracts/Managed Care System application. The setup involved creating tables for the insurance plans involved and loading in each charge category and cost-to-charge (reimbursement) ratio. Effective dates were also input so as the reimbursement rates change, the proper amounts can be computed.

In order to calculate reimbursement for a given population, patient selection parameters are input identical to the process used in the cost accounting patient selection process. By selecting the "Update Patient Record" option at the time of calculation, the computed "projected" reimbursement is made available for each of the patient accounts selected when running computations in the cost accounting application using the Export - Excel Reporting option. Within Excel Reporting, a report template was set up to pull the desired volume, charge, payment and cost information, including the actual and "projected" (calculated) reimbursement. Any additional patient selection parameters are also included in the spreadsheet. The projected reimbursement column includes the cost-based reimbursement data for those insurances paid in that manner and the actual payments received for the commercial and self-pay accounts. Pivot tables can be used to pull whatever reports are needed.

After completing the above process for the surgeon project previously described, administration then requested a breakdown of net profit/loss by surgeon further sorted by procedure. In anticipation of further requests, they were provided with reports broken down by surgeon/procedure and also by procedure/surgeon. This was accomplished under the New Process in less than 30 minutes. Administration was duly impressed and thought it was a miracle that level of information could be provided so quickly! Under the Old Process, providing reports at the level of detail requested would not have been feasible.

The End Result

Obtaining cost-based reimbursement for Medicare and other payors who reimburse in this manner is essential to analyzing the financial impact of critical access hospital services and providers. The New Process has provided an automated method of obtaining anticipated cost-based reimbursement for our Medicare and Medicaid accounts quickly. Using the Contracts/Managed Care application solution and exporting detailed cost accounting data into Excel has eliminated the need to run multiple reports, copy or re-key data into manual spreadsheets, then create new reports pulling all the payor data together. In addition to providing a method that was more accurate and efficient, this process has made it possible to create reports that would not have been practical to create using the Old Process.