

Eli's Hospice Insider

Finance: Majority Of Cost Reports Would Fail New Edits, CMS Analysis Finds

Keep long-term impact of expanded Level 1 edits in mind, experts urge.

Chances are you need to shore up your cost reporting practices to avoid failing newly announced Level 1 edits.

So indicates the **Centers for Medicare & Medicaid Services'** proposed hospice payment rule for fiscal year 2019, which CMS released April 27.

CMS outlines its thinking about the Level 1 edits, reviewing some of the rationale it covered in its April 13 Transmittal No. 3 implementing the change. "These types of edits could force adherence to certain cost reporting principles and could lead to the reporting of higher-quality hospice cost data," notes the proposed rule scheduled for publication in the May 8 Federal Register.

Difference: While the rule maintains that "this 'Potential Level 1 Edit' approach is for discussion purposes only and may be considered for potential future use," the transmittal finalized the edits and set an implementation date of June 1 for cost reporting years ending Dec. 31, 2017, and later.

In preparation for the edits, CMS ran analysis on 2016 hospice cost reports and found nearly 66 percent of them would not have passed the new edits. Check out the agency's findings:

Line 3 Employee Benefits - missing from 13.80% of reports in 2016 (385 reports)
Line 4 Administrative & General - missing from 0.29% of reports (8)
Line 5 Plant Operations and Maintenance - missing from 45.16% of reports (1,260)
Line 13 Volunteer Services Coordination - missing from 37.71% of reports (1,052)
Line 14 Pharmacy - missing from 12.47% of reports (348)
Line 28 Registered Nurse - missing from 1.22% of reports (34)
Line 37 Hospice Aide and Homemaker Services - missing from 2.69% of reports (75)
Line 38 Durable Medical Equipment/Oxygen - missing from 11.65% of reports (325)
Line 41 Labs Diagnostics - missing from 22.83% of reports (637)
Line 1 Capital Related Costs, Building and Fixtures - missing from 17.13% of reports (478)
Line 33 Medical Social Services - missing from 4.37% of reports (122)
Missing Any Of The Above - 65.59% of reports (1,830)

CMS's research shows that the majority of hospice cost reports are not being done properly, says cost report expert **Dave Macke** with **VonLehman & Co.** in Ft. Wright, Kentucky, who was involved in the process of requesting CMS to implement the edits.

CMS's findings are "unfortunately ... a reflection on the quality of cost report submissions," acknowledges **The Health Group** in Morgantown, West Virginia. The 66 percent figure "reflects the need to substantially increase the Level 1 edits to the cost report," the firm says in its newsletter.

"Given the high volume of cost reports that show zero costs on lines that are expected to be populated, it is evident that hospices may not be providing thorough and representative cost data currently," CMS says in the rule.

"We as an industry want better cost reports," and the edits will help achieve that goal, Macke says.

This data should serve as a "wake-up call to make sure the industry is very, very prepared" to report costs accurately

going forward, says **Judi Lund Person** with the **National Hospice & Palliative Care Organization**.

Providers and their cost report preparers must be careful not to "just slop numbers in there," Macke cautions.

CMS makes very clear in the rule that it plans to use cost report data for future rate-setting purposes, including probably rebalancing between care level rates (see story, p. 41).

Cost report data is also picked up by the **Medicare Payment Advisory Commission** to figure profit margin figures and resulting payment recommendations to Congress, Macke points out. This year, MedPAC urged Congress to freeze hospice payment rates.

"As CMS moves to increase the use of cost data in future rate-setting, the hospice industry will be hard pressed to argue when hospices fail to give adequate attention to the reporting requirements of the cost report," The Health Group warns.

Part of the problem is that HHH Medicare Administrative Contractors aren't shouldering their share of the cost report work either, Macke contends. Because there is no direct settlement related to the reports, MACs aren't reviewing them properly and are just "rubber-stamping" the reports, he says.

But, it's ultimately up to hospices to police themselves and report quality data, Macke says.

Bottom line: Both rate-setting and policy decisions will hinge on this data, Lund Person stresses.

Note: See the new cost report form and instructions in Transmittal 3 online at www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2018Downloads/R3P243.pdf. See more analysis on the cost report changes in a future issue of Eli's Hospice Insider.