

Eli's Hospice Insider

Finance: Medicare Pledges To 'Better Align Hospice Payments With Costs' In Final Rule

Shore up your cost reporting procedures ASAP.

It remains unclear for now whether Medicare will take the route of major payment reform or not - and you can expect your cost report data to play a significant role in the decision.

In the 2019 hospice payment final rule, the **Centers for Medicare & Medicaid Services** notes that the new Level 1 and Level 2 edits for cost reports that it discussed in the proposed rule were implemented via a transmittal. (See Eli's Hospice Insider, Vol. 11, No. 6, for edit details.) "We appreciate support of the Level 1 edits to further address accuracy in cost reporting," CMS says in the rule published in the Aug. 6 Federal Register.

Expected change: In the rule, CMS says "these changes are effective for cost reporting periods ending on or after December 31, 2017."

However, industry sources say they expect CMS to change that effective date to cost report periods starting June 1, 2018, since hospices may not have recorded costs in enough detail in past periods to avoid edits.

Either way, hospices should be preparing to report their costs as accurately as possible in light of the new edits. "Hospices need to increasingly recognize the importance of cost reporting focus and accuracy," says consulting firm **The Health Group** in Morgantown, West Virginia.

"They didn't do this whole drill for nothing," says cost report expert **Dave Macke** of CMS's new edits. "They have a purpose," warns Macke with **VonLehman & Co.** in Fort Wright, Kentucky.

"We will continue to analyze Medicare hospice cost report data as it becomes available in determining whether additional hospice payment reform changes are needed to better align hospice payments with costs," CMS says in the 2019 rule.

In addition to possible payment structure reform, expect CMS to use data reported in hospice cost reports for modifying rates for the current levels of care, The Health Group warns in its electronic newsletter. Data analysis from CMS indicates cost reports recorded costs lower than Routine Home Care levels and costs higher than the other, much less used levels. You can be pretty sure rebalancing is on the feds' minds, with reducing Routine Home Care rates at the top of the list.

CMS may use cost report data for other payment modifications such as changing the split between labor and nonlabor portions of the rates and analyzing costs for serving patients based on residential setting, The Health Group adds.

"It's not a question of whether they are going to use it," Macke says of the data CMS will collect from the newly tightened-up cost reports. "It's a question of how long."

Macke hopes CMS will do all it can to ensure it's collecting accurate cost report data before using the information to make major payment revisions.

Take These Steps Before It's Too Late

To report costs as accurately as possible and avoid payment and policy revisions based on faulty data, hospices should "get their act together" when it comes to cost reporting, Macke tells **Eli**.

For example: In analysis CMS included in the proposed rule, the agency noted that 45 percent of hospices' 2016 cost reports had no costs for line 5 of the cost report (Plant Operations and Maintenance). That addresses costs such as rent,

Mackie notes. Line 5 doesn't trigger a Level 1 edit, but hospices must make sure they don't lump their rent and other costs that should be in Line 5 into other areas, such as the often-overused Line 4 (Administrative & General), Macke advises.

Another example: Line 13 (Volunteer Services Coordination) was missing from nearly 38 percent of reports. Often hospices will have this duty as just one of the tasks assigned to a social worker, clinical supervisor, or other employee. "They are just not breaking it out," Macke notes of the costs for that item. "It's a required cost center." Hospices must figure their related costs accurately.

Hospices must set up their processes to allocate costs to all the required areas, Macke urges.

Note: See the rule at www.gpo.gov/fdsys/pkg/FR-2018-08-06/pdf/2018-16539.pdf. Transmittal 3 implementing the cost report changes is online at www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2018Downloads/R3P243.pdf.