

## Critical Access Hospital Finance and Operations Webinar Series



**Cost Reporting Basics**  
**November 19, 2025**

*The mission of the Oregon Office of Rural Health is to improve the quality, availability and accessibility of health care for rural Oregonians.*

*The Oregon Office of Rural Health's vision statement is to serve as a state leader in providing resources, developing innovative strategies and cultivating collaborative partnerships to support Oregon rural communities in achieving optimal health and well-being.*



## Webinar Logistics

- Audio is muted for all attendees.
- Select to populate the  to populate the chat feature on the bottom right of your screen. Please use either the chat function or raise your hand  on the bottom of your screen to ask your question live.
- Presentation slides and recordings will be posted shortly after the session at: <https://www.ohsu.edu/oregon-office-of-rural-health/orh-webinars>.







**Eric Volk, CPA** is a partner in Wipfli's Spokane office. He specializes in critical access hospital (CAH) Medicare and Medicaid reimbursement and audits. He provides cost reporting, audit and consulting services to numerous providers in the region. This has enabled him to develop a solid understanding of the issues that concern the health care industry. Eric has significant experience in improving cost-based reimbursement for CAHs. He also is skilled in providing cost report audit and appeal support for CAHs.



**Erik Prosser** is a senior manager in Wipfli LLP's Spokane office. He specializes in critical access hospital (CAH) Medicare and Medicaid reimbursement and audit. Erik provides cost reporting, audit and consulting services to numerous providers in the region. This has allowed him to develop a solid understanding of the issues that concern the health care industry.

# THRIVE



Cost Reporting Basics– Part I & II

WIPFLI

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**Critical Access Hospital  
reimbursement principles**

## **Basic critical access hospital Reimbursement principles**

If a non-healthcare business charges \$100 for a good or service it provides, how much does it get paid?

- \$100

If a healthcare provider charges \$100 for a service it provides, how much does it get paid?

- It depends on how you look at it...

**Examples of  
possible  
payments for  
healthcare  
services**

Private pay	\$100
Medicare	\$60
Medicaid	\$55
Insurance #1	\$90
Insurance #2	\$85
Insurance #3	\$80
Etc...	?



**To determine the estimated amount a healthcare provider will be paid, three important pieces of information must be known**

- Payor type
- Patient Type
- Specific type of service

## **Two primary types of hospital reimbursement methodologies for Medicare**

- Prospective Payment System (PPS)
- Cost-based system
  - ▶ This means reimbursing Medicare allowable costs

## Cost Based Reimbursement

Type of Service	Medi-Cal	Medicare
Inpatient	DRG Equivalent	101% of Allowable Cost
Outpatient Procedures (surgery, radiology, etc.)	APC Equivalent	101% of Allowable Cost
Lab	Fee Schedule	101% of Allowable Cost (except for reference lab)
Therapies	Fee Schedule	101% of Allowable Cost (subject to therapy cap effective 4/1/2015)
Swing Bed	RUG Equivalent	101% of Allowable Cost
Ambulance Service	Fee Schedule Equivalent	Fee Schedule (unless only one within 35 miles, then 101% of cost)

## Cost Based Reimbursement

Type of Service	Medi-Cal	Medicare
O/P Clinics (facility component)	APC	101% of Allowable Cost
O/P Clinics (professional component)	Fee Schedule (reduced for site of service)	Fee Schedule Plus 15% for CAHs Electing Method II Billing (reduced for site of service)
CRNA Services	Fee Schedule	Fee Schedule (unless elect cost if less than 800 procedures/year and 1 FTE/year)
Other Professional Services	Fee Schedule – Prospective for RHC	Fee Schedule Plus 15% for CAHs Electing Method II Billing (except for professional services in a rural health clinic setting then generally based on allowable cost)
Outlier Payments/Supplemental	IGT Payments	N/A



**Cost Based  
Reimbursement**

Type of Service	Medi-Cal	Medicare
Dialysis	Prospective rate Equivalent	Prospective rate, except inpatient dialysis is 101% of allowable cost
Graduate Medical Education (GME)/ Indirect Medical Education (IME)	N/A	If approved, included in 101% of allowable cost
Exempt Units	Rehab Unit – PPS Psych Units – PPS	Limited to 10 exempt unit beds (Same reimbursement as PPS)

**Cost Based  
Reimbursement**

Type of Service	Medi-Cal	Medicare
Skilled Nursing Facility	Lessor of cost or published prospective rate for rural. Rate adjusted based on Medi-Cal cost report	RUG
Home Health Agency	HHRG Equivalent	HHRG
Hospice	Prospective rate Equivalent	Prospective rate
Provider-Based Rural Health Clinic	Prospective rate (reconciliation for managed care)	Cost/Visit with cap or grandfathered rate

## **Cost Based Reimbursement**

- How do CAHs get reimbursed from the Medicare program for services provided to patients?
  - ▶ Interim Claim Payments
  - ▶ Year-End Cost Report Settlement
- Medi-Cal
  - ▶ Prospective (Managed-Care Contracts)
  - ▶ Supplemental Payments (AB Forms/IGT)
- (Note: the State uses Medi-Cal cost report for DPNF prospective rates, and RHC rate setting.

## **General Medicare Critical Access Hospital ("CAH") payment overview**

- Medicare reimbursement = 101% of Medicare allowable cost

Effective April 1, 2013, there is also a governmental budget sequestration adjustment of a 2% reduction in reimbursement after determining deductible and coinsurance amounts applicable to all Medicare claims. (Currently, the sequestration adjustment is projected to continue through at least 2025.)



## **What is “allowable” cost?**

- Necessary and proper in providing services
- Must be related to patient care (includes personnel costs, administrative costs, laundry, housekeeping, dietary, etc.)
- Adequate cost data and cost finding support
- Must be “reasonable”; i.e., must follow the “prudent buyer” principle

## **What is the prudent buyer principle?**

- The prudent and cost-conscious buyer not only refuses to pay more than the going (market) price for an item or service, he/she also seeks to economize by minimizing cost
- This is especially so when the buyer is an institution or organization that makes bulk purchases and can, therefore, often gain discounts because of the size of its purchases
- Another way to minimize cost is to obtain free replacements or reduced charges under warranties for medical devices
- Any alert and cost-conscious buyer seeks such advantages, and it is expected that Medicare providers of services will also seek them

## Computation of allowable costs

- Allowable cost = Total expense minus costs not supported by Medicare minus cost offsets
  - ▶ Costs not supported by Medicare: Bad debt expense, some forms of advertising expense, etc...
  - ▶ Cost offsets: Investment income is offset against interest expense, cafeteria meals revenue is offset against dietary expense, etc...

**Allowable cost  
summary based  
on year-end  
20XX, Medicare  
Cost Report -  
sample hospital**

Total Expenses			\$ 46,000,000
Add:	Related-party add-on	\$ 2,500,000	
Less:	Medicare nonallowable expenses:		
	Provider-based physicians	(2,400,000)	
	Investment income	(10,000)	
	Cafeteria	(165,000)	
	Unnecessary borrowing - Nonallowable interest expense	(500,000)	
	Electronic health record system depreciation	(175,000)	
	Other miscellaneous revenue	(250,000)	
	Subtotal		\$ (1,000,000)
Allowable Expenses			\$ 45,000,000
Less:	Noncost reimbursed expenses:		
	Nursing home and assisted living	(6,000,000)	
	Marketing	(800,000)	
	Specialty clinic	(1,200,000)	
	Subtotal		(8,000,000)
Total cost reimbursed expenses			<u>\$37,000,000</u>

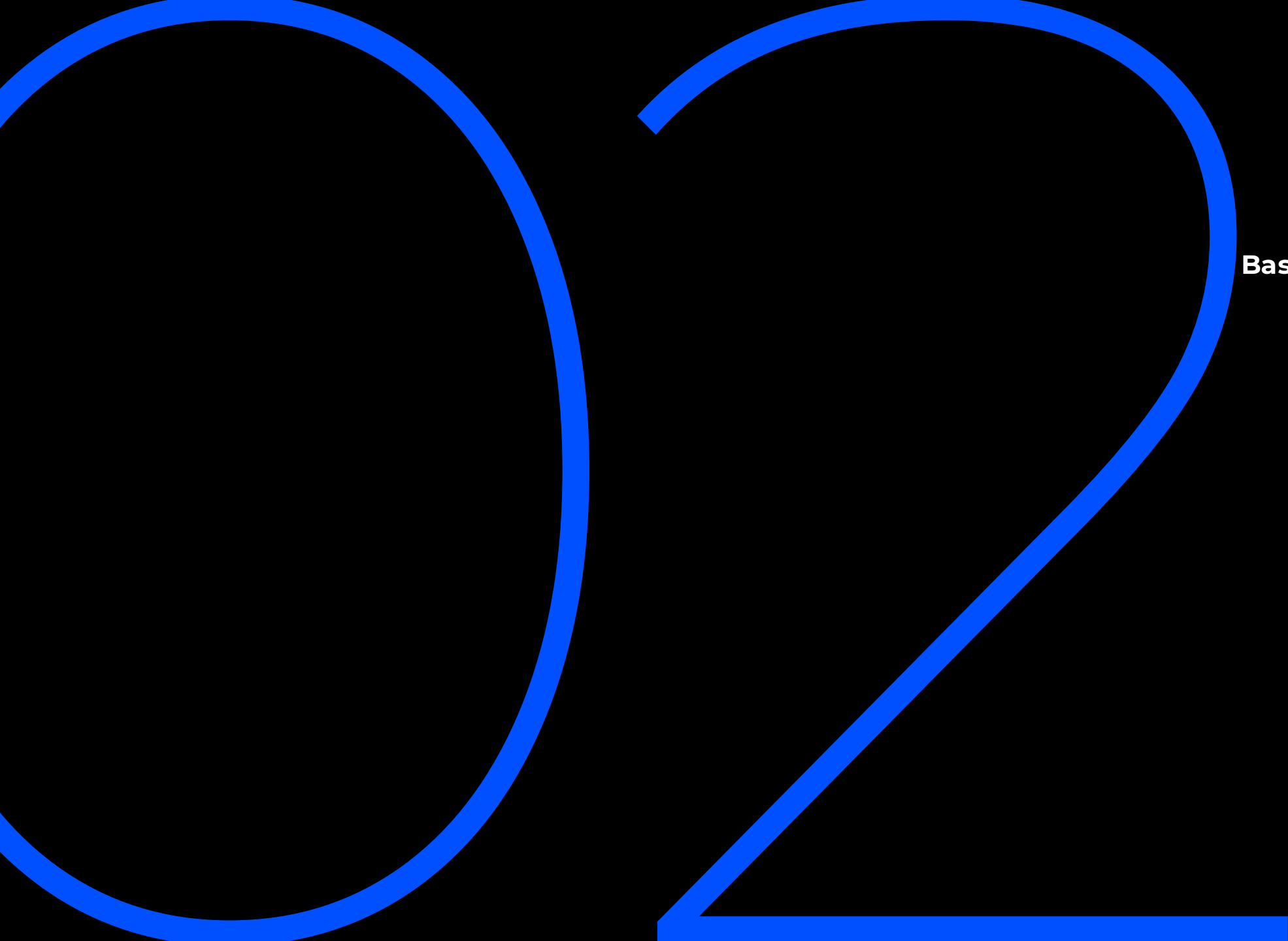


## CAH Myths

- All allowable costs will get paid
- All Medicare allowable costs for Medicare enrollees will get paid
- We're a critical access hospital; therefore, we should always "break even"

## **CAH fact**

- You can't make a profit from Medicare



**Basic CAH Medicare Cost  
Report worksheet  
summary**

Worksheet number is at top right-hand corner of each worksheet.

## Cost report layout

Worksheet Series	
S	Settlement, organization, and patient statistical information
A	Expense assignment
B	Allocation of overhead costs
C	Patient care revenue and cost-to-charge ratio
D	Determination of Medicare's costs
E	Medicare settlement and payment information
G	Financial statements
H	Home health
I	Renal dialysis
K	Hospice
M	Rural Health Clinic

## Basic CAH Medicare cost report mechanics

Worksheet S	Worksheet A	Worksheet B	Worksheet C	Worksheet D	Worksheet E
Informational questions	Expenses	Overheard expense allocation	Charges	Medicare/Medicaid Charges	Medicare/Medicaid settlement
S, S-2, S-3, S-4, S-5, S-7, S-8, S-9, S-10	A, A-6, A-8, A-8-1, A-8-2, A-8-3	B Part I, B-1	C	D Part V, D-3, D-1, Parts I, II, III	E Part B, E-1, E-2, E-3 Part V
Hospital information, patient days, and other statistics	Costs reclassified, added, and subtracted	Overheard allocated to revenue-producing departments	Divided by Dept. revenues = cost-to-charge ratios	Multiplied by Dept. Medicare charges = Medicare cost	Compared to Medicare payments = Settlement

05

Worksheet S

# Worksheet S

- Cost report settlement worksheet
- Must be signed by officer/ administrator
- Title XVIII Part A and Part B are added together to determine total settlement receivable or payable
- HIT (Health Information Technology) column is informational and will be settled at a different time than the Medicare cost report

Health Financial Systems

SAMPLE CAH HOSPITAL

In Lieu of Form CMS-2552-10

This report is required by law (42 USC 1395g; 42 CFR 413.20(b)). Failure to report can result in all interim payments made since the beginning of the cost reporting period being deemed overpayments (42 USC 1395g).

FORM APPROVED  
OMB NO. 0938-0050

HOSPITAL AND HOSPITAL HEALTH CARE COMPLEX COST REPORT CERTIFICATION

Provider CCN: XX13XX

Period:  
From 01/01/2014  
To 12/31/2014

Worksheet S  
Parts I-III  
Date/Time Prepared:  
12/18/2014 9:48 am

PART I - COST REPORT STATUS

Provider use only

1. ☒ Electronically filed cost report  
2. ☐ Manually submitted cost report  
3. ☐ If this is an amended report enter the number of times the provider resubmitted this cost report  
4. ☐ Medicare Utilization. Enter "F" for full or "L" for low.

Contractor use only

5. ☐ Cost Report Status  
(1) As Submitted  
(2) Settled without Audit  
(3) Settled with Audit  
(4) Reopened  
(5) Amended

6. Date Received:  
7. Contractor No.  
8. ☐ Initial Report for this Provider CCN  
9. ☐ Final Report for this Provider CCN

10. NPR Date:  
11. Contractor's Vendor Code: 4  
12. ☐ If line 5, column 1 is 4: Enter number of times reopened = 0-9.

PART II - CERTIFICATION

MISREPRESENTATION OR FALSIFICATION OF ANY INFORMATION CONTAINED IN THIS COST REPORT MAY BE PUNISHABLE BY CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINE AND/OR IMPRISONMENT UNDER FEDERAL LAW. FURTHERMORE, IF SERVICES IDENTIFIED IN THIS REPORT WERE PROVIDED OR PROCURED THROUGH THE PAYMENT DIRECTLY OR INDIRECTLY OF A KICKBACK OR WERE OTHERWISE ILLEGAL, CRIMINAL, CIVIL AND ADMINISTRATIVE ACTION, FINES AND/OR IMPRISONMENT MAY RESULT.

CERTIFICATION BY OFFICER OR ADMINISTRATOR OF PROVIDER(S)

I HEREBY CERTIFY that I have read the above certification statement and that I have examined the accompanying electronically filed or manually submitted cost report and the Balance Sheet and Statement of Revenue and Expenses prepared by SAMPLE CAH HOSPITAL ( XX13XX ) for the cost reporting period beginning 01/01/2014 and ending 12/31/2014 and to the best of my knowledge and belief, this report and statement are true, correct, complete and prepared from the books and records of the provider in accordance with applicable instructions, except as noted. I further certify that I am familiar with the laws and regulations regarding the provision of health care services, and that the services identified in this cost report were provided in compliance with such laws and regulations.

(signed) \_\_\_\_\_  
Officer or Administrator of Provider(s)

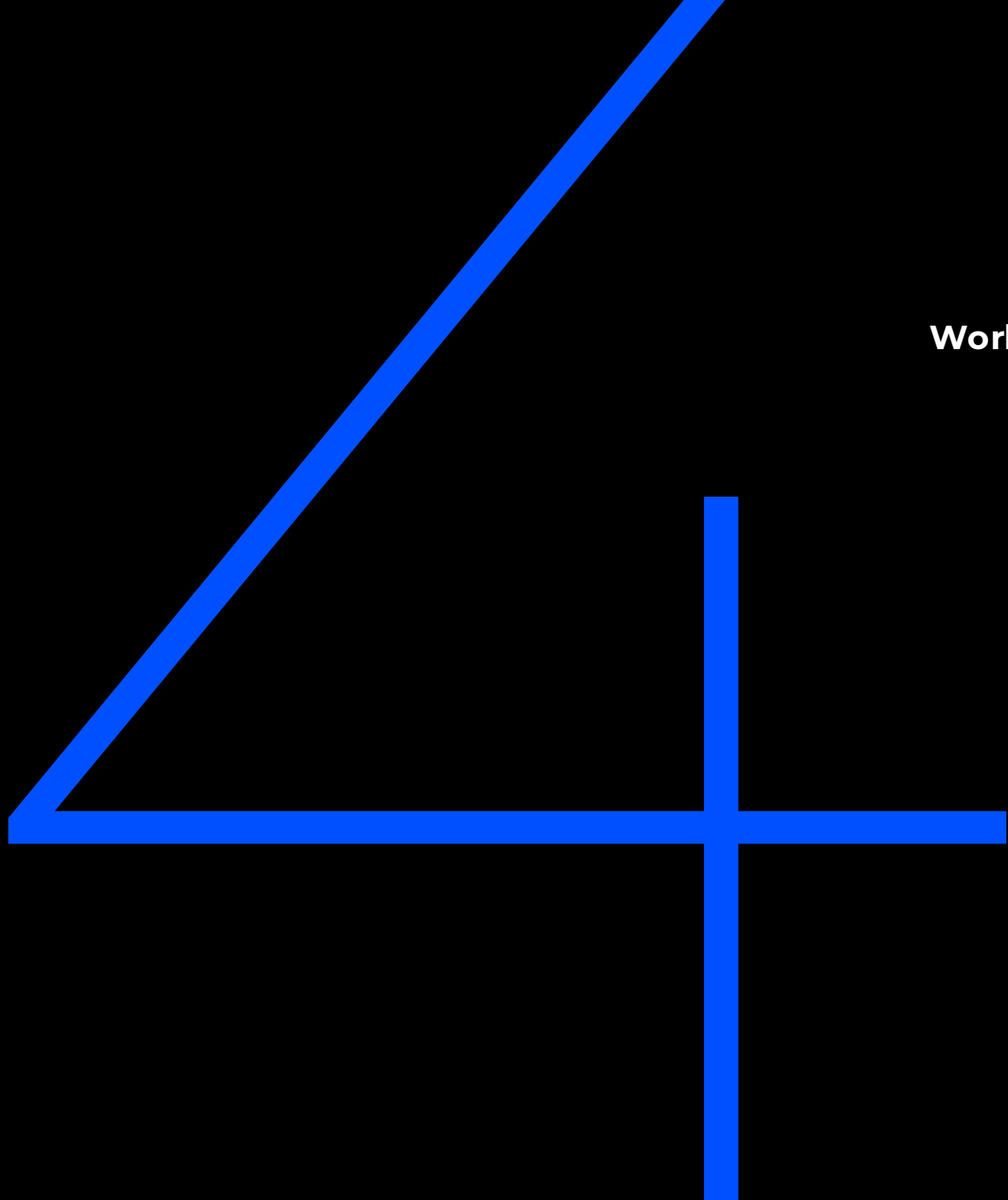
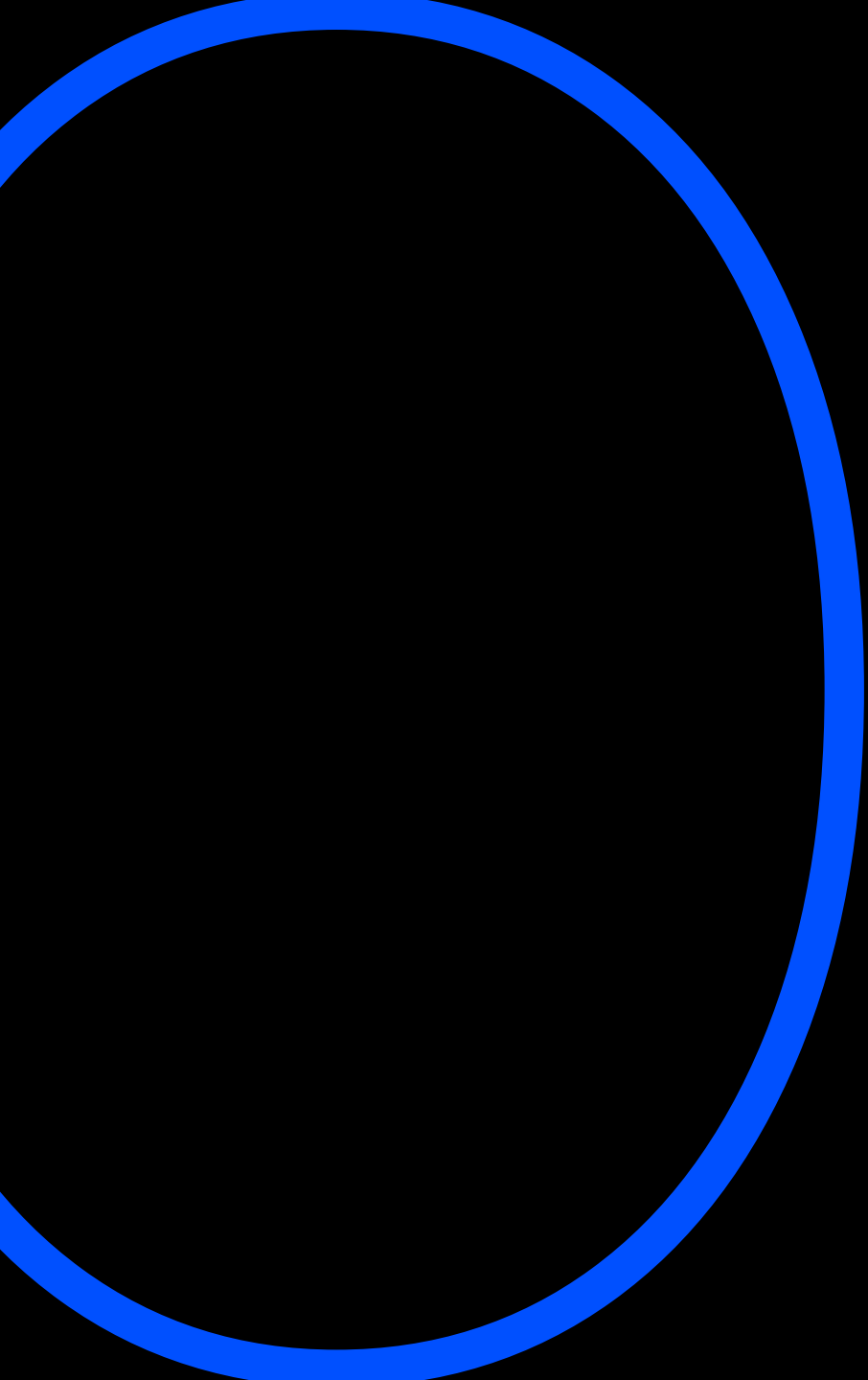
Title \_\_\_\_\_

Date \_\_\_\_\_

Cost Center Description	Title V	Title XVIII		HIT	Title XIX	
		Part A	Part B			
	1.00	2.00	3.00	4.00	5.00	
PART III - SETTLEMENT SUMMARY						
1.00 Hospital	0	87,723	31,808	30,251	0	1.00
2.00 Subprovider - IPF	0	0	0		0	2.00
3.00 Subprovider - IRF	0	0	0		0	3.00
5.00 Swing bed - SNF	0	-63,604	0		0	5.00
6.00 Swing bed - NF	0				0	6.00
7.00 SKILLED NURSING FACILITY	0	-3,960	-349		0	7.00
8.00 NURSING FACILITY	0				0	8.00
10.00 RURAL HEALTH CLINIC I	0		-62,626		0	10.00
200.00 Total	0	20,159	-31,167	30,251	0	200.00

The above amounts represent "due to" or "due from" the applicable program for the element of the above complex indicated.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0938-0050. The time required to complete and review the information collection is estimated 673 hours per response, including the time to review instructions, search existing resources, gather the data needed, and complete and review the information collection. If you have any comments concerning the accuracy of the time estimate(s) or suggestions for improving the form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Report Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850. Please do not send applications, claims, payments, medical records or any documents containing sensitive information to the PRA Reports Clearance Office. Please note that any correspondence not pertaining to the information collection burden approved under the associated OMB control number listed on this form will not be reviewed, forwarded, or retained. If you have questions or concerns regarding where to submit your documents, please contact 1-800-MEDICARE.



**Worksheet S-2**



## **Worksheet S-2, Part I**

- Series of informational questions that provide the cost report “reader” with a wealth of knowledge about the hospital
  - ▶ Provider type and payment system
  - ▶ Debt and lease agreements
  - ▶ Provider-based physician services
  - ▶ Statistical basis
  - ▶ Contract therapy
  - ▶ Reimbursable bad debts
  - ▶ Provider summary report data
- Important to ensure all responses are accurate because they can directly impact the settlement (i.e., data may not flow to a worksheet if the response on worksheet S-2 is not accurate, which may directly impact the final cost report settlement)

## Key lines for CAHs to include:

- 118 – Malpractice policy type & amounts
- 140 – Related-party activity
- 144 – Provider-based physicians
- 146 – Change in allocation method
- 167-170 – HIT Meaningful use

		1.00	
<b>Health Information Technology (HIT) incentive in the American Recovery and Reinvestment Act</b>			
167.00	Is this provider a meaningful user under Section §1886(n)? Enter "Y" for yes pr "N" for no.	Y	16
168.00	If this provider is a CAH (line 105 is "Y") and is a meaningful user (line 167 is "Y"), enter the reasonable cost incurred for the HIT assets (see instructions)	450,000	16
169.00	If this provider is a meaningful user (line 167 is "Y") and is not a CAH (line 105 is "N"), enter the transition factor. (see instructions)	0.00	16
		Beginning	Ending
		1.00	2.00
170.00	Enter in columns 1 and 2 the EHR beginning date and ending date for the reporting period respectively (mm/dd/yyyy)	05/15/2013	08/13/2013

5

**Worksheet S-3**

## **Worksheet S-3, Part I**

- Number of beds
- CAH hours for I/P care, excluding swing bed, nursing home, and observation
  - ▶ Critical data along with discharges used to calculate average length of stay for 96-hour rule compliance
  - ▶ Important to track hours and not merely use days times 24 hours
- Patient days
  - ▶ Report by payor type – Medicare and Medicaid
  - ▶ Report total days
- FTEs
- Discharges

## **Worksheet S-3, Part I**

- Observation days (be sure to track where observation is occurring in the hospital and maintain logs)
- Discharges (no impact on settlement)

**Worksheet S-3,  
Part I: Patient  
days and  
discharges**

Assuming cost remains constant



Patient days =



Patient days =



Patient days =



Routine cost per day



Routine cost reimbursement per day



Profit per day on non-Medicare days  
(until reach “break even” payor mix)

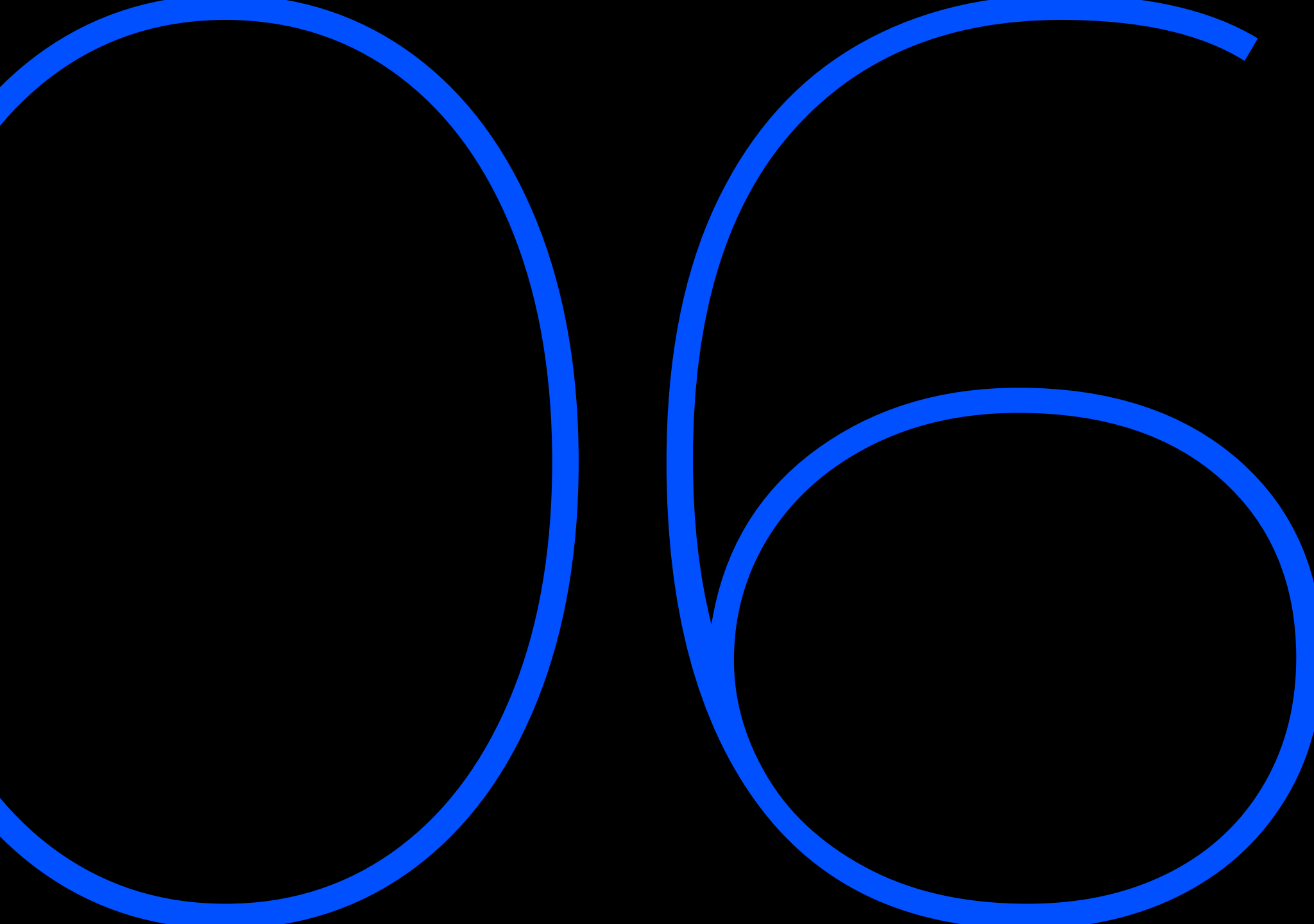
Estimated impact  
of change in  
patient days

Adults & PEDS			
T18 days	750	750	750
Total Days	1,360	1,480	1,600
<b>T18 Utilization</b>	<b>55.1%</b>	<b>50.7%</b>	<b>46.9%</b>
Adults & Peds reimbursable costs	\$2,000,000	\$2,000,000	\$2,000,000
T18 reimbursable costs	\$1,102,900	\$1,013,500	\$937,500
Change in T18 reimbursable costs	\$89,400		\$(76,000)

## Other S worksheets

- S-3, Part II-V
  - ▶ Wages and hours (CAHs generally exempt from reporting unless required by state Medicaid program)
- S-4
  - ▶ Home health data
- S-5
  - ▶ Renal dialysis data
- S-7
  - ▶ SNF RUG data
- S-8
  - ▶ RHC data
- S-9
  - ▶ Hospice data
- S-10
  - ▶ Hospital Uncompensated and Indigent Care Worksheet





**Worksheet A**

## Worksheet A columns

- Column 1
  - ▶ Salaries
- Column 2
  - ▶ Other Expenses
- Column 4
  - ▶ Reclassifications flow from worksheet A-6
- Column 6
  - ▶ Adjustments flow from worksheet A-8
- Column 7
  - ▶ Net allowable costs (to worksheet B)

# Worksheet A lines

Health Financial Systems		SAMPLE CAH HOSPITAL			In Lieu of Form CMS-				
RECLASSIFICATION AND ADJUSTMENTS OF TRIAL BALANCE OF EXPENSES			Provider CCN: XXI3XX	Period: From 01/01/2014 To 12/31/2014	Worksheet A Date/Time Pre 12/18/2014 9:				
Cost Center Description		Salaries	Other	Total (col. 1 + col. 2)	Reclassification ons (See A-6)	Reclassified Trial Balance (col. 3 +- col. 4)	Adjustments (See A-8)	Net Expenses For Allocation	
		1.00	2.00	3.00	4.00	5.00	6.00	7.00	
GENERAL SERVICE COST CENTERS									
1.00	00100 NEW CAP REL COSTS-BLDG & FIXT		1,400,000	1,400,000	150,000	1,550,000	-20,000	1,530,000	1.00
2.00	00200 NEW CAP REL COSTS-MVBLE EQUIP		0	0	600,000	600,000	-75,000	525,000	2.00
4.00	00400 EMPLOYEE BENEFITS DEPARTMENT	0	2,000,000	2,000,000	0	2,000,000	0	2,000,000	4.00
5.00	00500 ADMINISTRATIVE & GENERAL	1,100,000	1,100,000	2,200,000	0	2,200,000	-65,000	2,135,000	5.00
7.00	00700 OPERATION OF PLANT	200,000	500,000	700,000	0	700,000	0	700,000	7.00
8.00	00800 LAUNDRY & LINEN SERVICE	75,000	10,000	85,000	0	85,000	0	85,000	8.00
9.00	00900 HOUSEKEEPING	275,000	60,000	335,000	0	335,000	0	335,000	9.00
10.00	01000 DIETARY	200,000	430,000	630,000	0	630,000	-30,000	600,000	10.00
11.00	01100 CAFETERIA	0	0	0	0	0	0	0	11.00
16.00	01600 MEDICAL RECORDS & LIBRARY	500,000	130,000	630,000	0	630,000	0	630,000	16.00
INPATIENT ROUTINE SERVICE COST CENTERS									
30.00	03000 ADULTS & PEDIATRICS	920,000	100,000	1,020,000	0	1,020,000	-100,000	920,000	30.00
44.00	04400 SKILLED NURSING FACILITY	1,300,000	100,000	1,400,000	0	1,400,000	0	1,400,000	44.00
45.00	04500 NURSING FACILITY	0	0	0	0	0	0	0	45.00
ANCILLARY SERVICE COST CENTERS									
50.00	05000 OPERATING ROOM	200,000	400,000	600,000	0	600,000	0	600,000	50.00
54.00	05400 RADIOLOGY-DIAGNOSTIC	260,000	700,000	960,000	0	960,000	0	960,000	54.00
60.00	06000 LABORATORY	300,000	480,000	780,000	0	780,000	0	780,000	60.00
66.00	06600 PHYSICAL THERAPY	300,000	100,000	400,000	0	400,000	0	400,000	66.00
71.00	07100 MEDICAL SUPPLIES CHARGED TO PATIENTS	40,000	100,000	140,000	0	140,000	0	140,000	71.00
72.00	07200 IMPLANTABLE DEVICES CHARGED TO PATIENTS	0	0	0	0	0	0	0	72.00
73.00	07300 DRUGS CHARGED TO PATIENTS	250,000	750,000	1,000,000	0	1,000,000	0	1,000,000	73.00
OUTPATIENT SERVICE COST CENTERS									
88.00	08800 RURAL HEALTH CLINIC	1,000,000	600,000	1,600,000	0	1,600,000	0	1,600,000	88.00
91.00	09100 EMERGENCY	1,200,000	100,000	1,300,000	0	1,300,000	-400,000	900,000	91.00
92.00	09200 OBSERVATION BEDS (NON-DISTINCT PART)								92.00
SPECIAL PURPOSE COST CENTERS									
113.00	11300 INTEREST EXPENSE		750,000	750,000	-750,000	0	0	0	113.00
118.00	SUBTOTALS (SUM OF LINES 1-117)	8,120,000	9,810,000	17,930,000	0	17,930,000	-690,000	17,240,000	118.00
NONREIMBURSABLE COST CENTERS									
190.00	19000 GIFT, FLOWER, COFFEE SHOP & CANTEEN	30,000	0	30,000	0	30,000	0	30,000	190.00
200.00	TOTAL (SUM OF LINES 118-199)	8,150,000	9,810,000	17,960,000	0	17,960,000	-690,000	17,270,000	200.00

## Department organization

- General service cost centers (Lines 1 to 23) - *Administration, plant, employee benefits, housekeeping, etc.*
- Inpatient routine service cost centers (Lines 30 to 46) - *Adults and pediatrics, SNFs, etc.*
- Ancillary service cost centers (Lines 50 to 76) - *Laboratory, radiology, pharmacy, etc.*
- Outpatient service cost centers (Lines 88 to 93) - *Provider-based clinics, emergency room (ER), observation*
- Other reimbursable cost centers (Lines 94 to 101) - *Dialysis, DME, ambulance, home health*
- Special purpose cost centers (Lines 105 to 117) - *ASC and hospice*
- Non-reimbursable cost centers (Lines 190 to 194) - *Gift shop, adult day care, medical office building, free standing clinic, research, etc.*



**Worksheet A-6**

## Worksheet A-6

- Worksheet A-6 – Provides opportunity to reclass expenses between cost centers/departments to provide for proper matching of expenses with revenue
- Could result in converting hospital expense groupings to Medicare groupings
- Common reclassifications:
  - ▶ Interest expense
  - ▶ Depreciation expense
  - ▶ Nursing salaries
  - ▶ Physician activities (i.e., benefits, rounding)

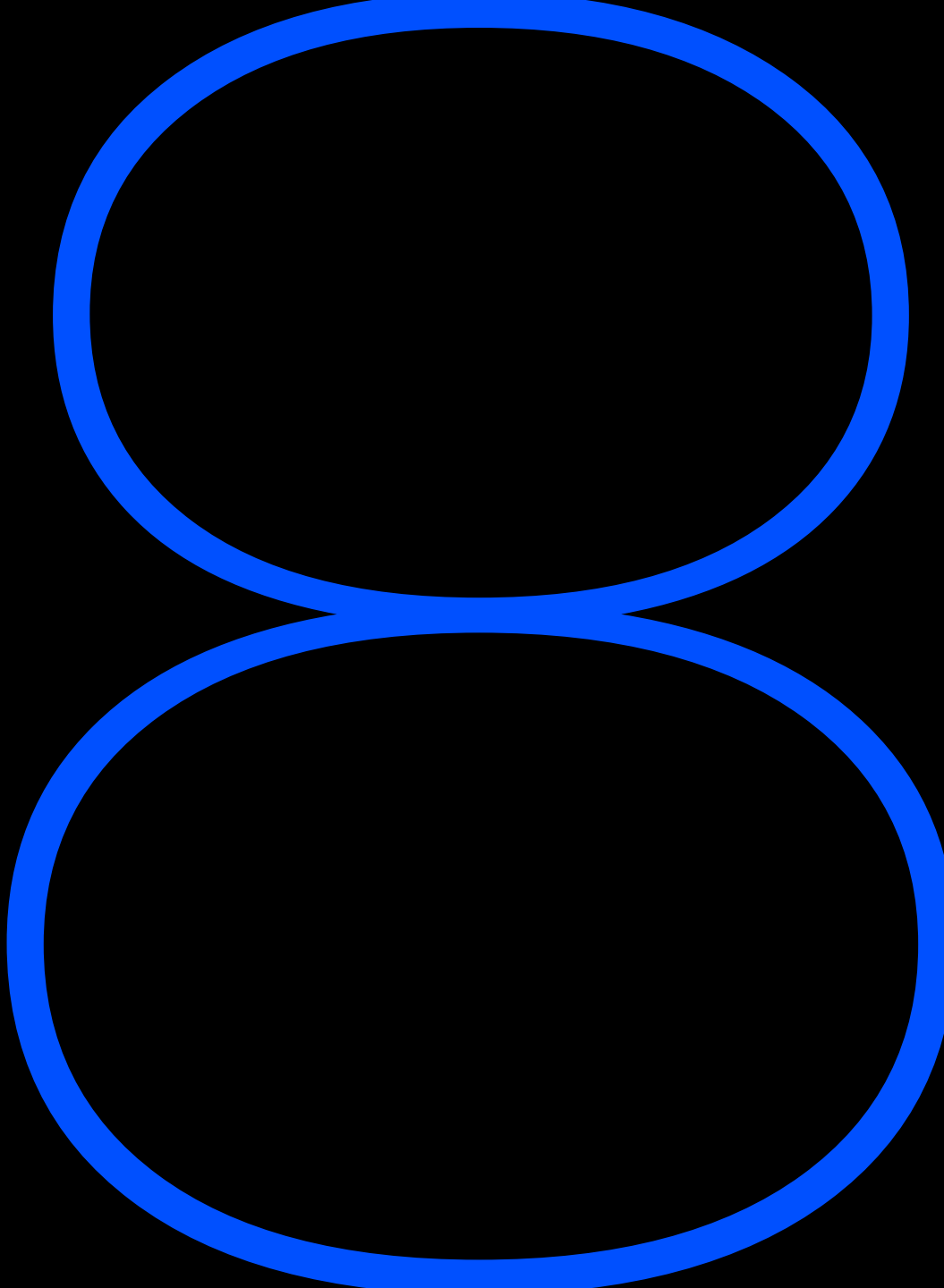
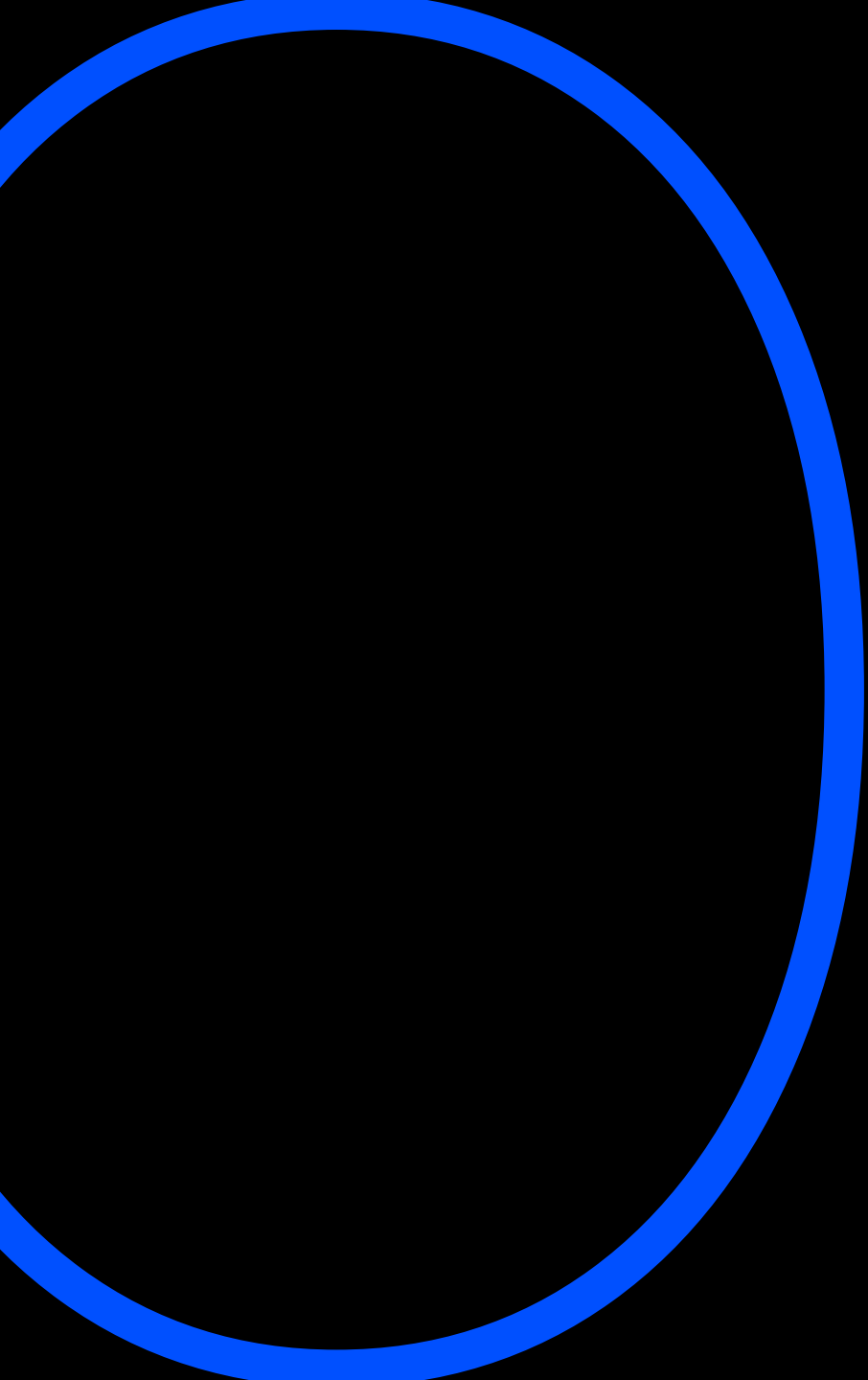
Try to keep  
number of  
reclassifications  
to a minimum

Health Financial Systems	SAMPLE CAH HOSPITAL	In Lieu of Form CMS-2552-10	
RECLASSIFICATIONS	Provider CCN: XX13XX	Period: From 01/01/2014 To 12/31/2014	Worksheet A-6 Date/Time Prepared: 12/18/2014 9:48 am

Increases					
Cost Center	Line #	Salary	Other		
2.00	3.00	4.00	5.00		
<b>A - TO RECLASSIFY INTEREST</b>					
1.00 NEW CAP REL COSTS-BLDG & FIXT	1.00	0	750,000		1.00
TOTALS		0	750,000		
<b>B - RECLASSIFY DEPRECIATION</b>					
1.00 NEW CAP REL COSTS-MVBLE EQUIP	2.00	0	600,000		1.00
TOTALS		0	600,000		
500.00 Grand Total: Increases		0	1,350,000		500.00

Health Financial Systems	SAMPLE CAH HOSPITAL	In Lieu of Form CMS-2552-10	
RECLASSIFICATIONS	Provider CCN: XX13XX	Period: From 01/01/2014 To 12/31/2014	Worksheet A-6 Date/Time Prepared: 12/18/2014 9:48 am

Decreases					
Cost Center	Line #	Salary	Other	Wkst. A-7 Ref.	
6.00	7.00	8.00	9.00	10.00	
<b>A - TO RECLASSIFY INTEREST</b>					
1.00 INTEREST EXPENSE	113.00	0	750,000	11	1.00
TOTALS		0	750,000		
<b>B - RECLASSIFY DEPRECIATION</b>					
1.00 NEW CAP REL COSTS-BLDG & FIXT	1.00	0	600,000	9	1.00
TOTALS		0	600,000		
500.00 Grand Total: Decreases		0	1,350,000		500.00



**Worksheet A-8**



# Worksheet A-8: Adjustments to expenses

- This worksheet provides for adjustments to remove unallowable expenses and offset nonpatient care revenue
- Adjustments increase or decrease reimbursable costs
- Medicare assumes that nonpatient service revenue is equal to the cost of the service provided
- Review all nonpatient income to determine if an offset to expense is required

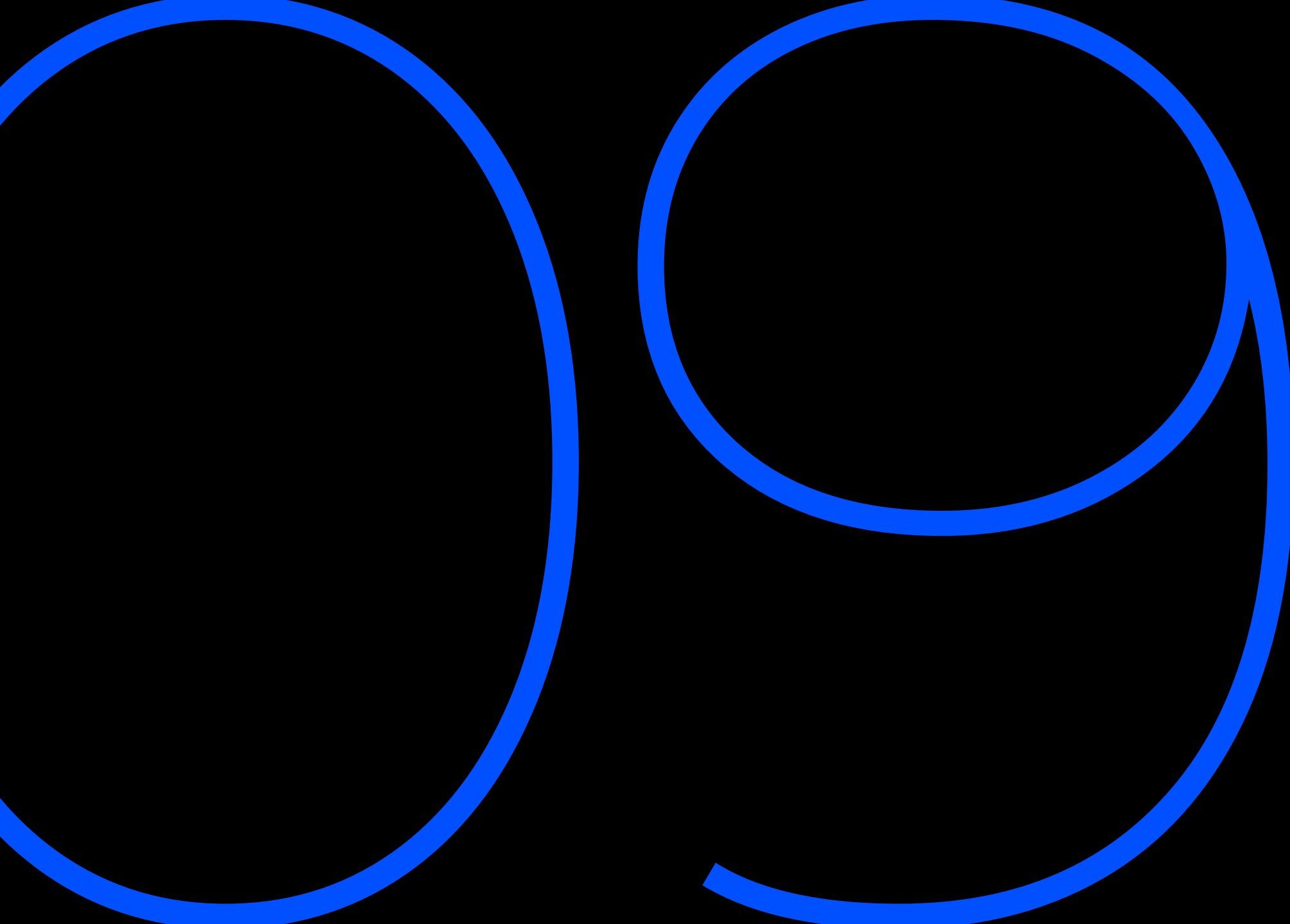
Health Financial Systems		SAMPLE CAH HOSPITAL		In Lieu of Form CMS-2552-10	
ADJUSTMENTS TO EXPENSES		Provider CCN: XX13XX		Period: From 01/01/2014 To 12/31/2014	Worksheet A-8
		Expense Classification on Worksheet A To/From which the Amount is to be Adjusted		Date/Time Prepared: 12/18/2014 9:48 am	
Cost Center Description	Basis/Code (2)	Amount	Cost Center	Line #	Wkst. A-7 Ref.
	1.00	2.00	3.00	4.00	5.00
1.00 Investment income - NEW CAP REL COSTS-BLDG & FIXT (chapter 2)	B	-20,000	NEK CAP REL COSTS-BLDG & FIXT	1.00	11 1.00
2.00 Investment income - NEW CAP REL COSTS-MVBLE EQUIP (chapter 2)		0	NEK CAP REL COSTS-MVBLE EQUIP	2.00	0 2.00
3.00 Investment income - other (chapter 2)		0		0.00	0 3.00
4.00 Trade, quantity, and time discounts (chapter 8)		0		0.00	0 4.00
5.00 Refunds and rebates of expenses (chapter 8)		0		0.00	0 5.00
6.00 Rental of provider space by suppliers (chapter 8)		0		0.00	0 6.00
7.00 Telephone services (pay stations excluded) (chapter 21)		0		0.00	0 7.00
8.00 Television and radio service (chapter 21)		0		0.00	0 8.00
9.00 Parking lot (chapter 21)		0		0.00	0 9.00
10.00 Provider-based physician adjustment	A-8-2	-500,000			0 10.00
11.00 Sale of scrap, waste, etc. (chapter 23)		0		0.00	0 11.00
12.00 Related organization transactions (chapter 10)	A-8-1	0			0 12.00
13.00 Laundry and linen service		0		0.00	0 13.00
14.00 Cafeteria-employees and guests	B	-30,000	DIETARY	10.00	0 14.00
15.00 Rental of quarters to employee and others		0		0.00	0 15.00
16.00 Sale of medical and surgical supplies to other than patients		0		0.00	0 16.00
17.00 Sale of drugs to other than patients		0		0.00	0 17.00
18.00 Sale of medical records and abstracts		0		0.00	0 18.00
19.00 Nursing school (tuition, fees, books, etc.)		0		0.00	0 19.00
20.00 Vending machines		0		0.00	0 20.00
21.00 Income from imposition of interest, finance or penalty charges (chapter 21)		0		0.00	0 21.00
22.00 Interest expense on Medicare overpayments and borrowings to repay Medicare overpayments		0		0.00	0 22.00
23.00 Adjustment for respiratory therapy costs in excess of limitation (chapter 14)	A-8-3	0	*** Cost Center Deleted ***	65.00	23.00
24.00 Adjustment for physical therapy costs in excess of limitation (chapter 14)	A-8-3	0	PHYSICAL THERAPY	66.00	24.00
25.00 Utilization review - physicians' compensation (chapter 21)		0	*** Cost Center Deleted ***	114.00	25.00
26.00 Depreciation - NEW CAP REL COSTS-BLDG & FIXT		0	NEK CAP REL COSTS-BLDG & FIXT	1.00	0 26.00
27.00 Depreciation - NEW CAP REL COSTS-MVBLE EQUIP		0	NEK CAP REL COSTS-MVBLE EQUIP	2.00	0 27.00
28.00 Non-physician Anesthetist		0	*** Cost Center Deleted ***	19.00	28.00
29.00 Physicians' assistant		0		0.00	0 29.00
30.00 Adjustment for occupational therapy costs in excess of limitation (chapter 14)	A-8-3	0	*** Cost Center Deleted ***	67.00	30.00
30.99 Hospice (non-distinct) (see instructions)		0	ADULTS & PEDIATRICS	30.00	30.99
31.00 Adjustment for speech pathology costs in excess of limitation (chapter 14)	A-8-3	0	*** Cost Center Deleted ***	68.00	31.00
32.00 CAH HIT Adjustment for Depreciation and Interest	A	-75,000	NEK CAP REL COSTS-MVBLE EQUIP	2.00	9 32.00

## Potential A-8 revenue offsets

- Realized investment income (funded depreciation)
- Cafeteria revenue
- Rebates
- Hospital assessments
- Medical record fees
- X-ray film revenue
- Miscellaneous income
- Donations received
- Revenue received for non-reimbursable cost centers
- Gain on disposal of fixed assets

## Potential A-8 expense offsets

- Interest expense (unnecessary borrowing)
- Refinancing costs
- Patient phones and cable TV
- Lobbying costs (portion of association dues)
- CRNA cost (unless exception to fee schedule)
- Hospital assessments
- Donations made to other organizations
- CAH HIT adjustment for depreciation and interest
- Advertising
- Losses on disposal of fixed assets



**Worksheet A-8-1**

## **Worksheet A-8-1: Related organizations**

Related parties included on worksheet A-8-1 are organizations related to a hospital by common ownership or control.

The types of cost include:

- Services
- Facilities
- Supplies

The actual cost is reported on worksheet A-8-1.

**Worksheet A-8-2**

## **Worksheet A-8-2: Physician cost**

Worksheet A-8-2 calculates allowable provider-based physician costs.

- Total remuneration (salaries, certain benefits, contracted services) is split into two components
  - ▶ Professional component – services provided directly to patients
  - ▶ Provider component – services provided to support patients such as availability/on-call, directorships, etc.

## Worksheet A-8-2: Physician cost

- Report total remuneration (salaries, benefits, contracted services) in column 3
- Report professional component in column 4
- Report provider administrative costs and ER availability in column 5

Health Financial Systems			SAMPLE CAH HOSPITAL			In Lieu of Form CMS-2552-10		
PROVIDER BASED PHYSICIAN ADJUSTMENT			Provider CCN: XX13XX			Period: From 01/01/2014 To 12/31/2014	Worksheet A-8-2 Date/Time Prepared: 12/18/2014 9:48 am	
	Wkst. A Line #	Cost Center/Physician Identifier	Total Remuneration	Professional Component	Provider Component	RCE Amount	Physician/Provider Component Hours	
	1.00	2.00	3.00	4.00	5.00	6.00	7.00	
1.00	91.00	EMERGENCY	1,000,000	400,000	600,000	0	0	1.00
2.00	30.00	ADULTS & PEDIATRICS	100,000	100,000	0	0	0	2.00
3.00	0.00		0	0	0	0	0	3.00
4.00	0.00		0	0	0	0	0	4.00
5.00	0.00		0	0	0	0	0	5.00
6.00	0.00		0	0	0	0	0	6.00
7.00	0.00		0	0	0	0	0	7.00
8.00	0.00		0	0	0	0	0	8.00
9.00	0.00		0	0	0	0	0	9.00
10.00	0.00		0	0	0	0	0	10.00
200.00			1,100,000	500,000	600,000	0	0	200.00
	Wkst. A Line #	Cost Center/Physician Identifier	Unadjusted RCE Limit	5 Percent of Unadjusted RCE Limit	Cost of Memberships & Continuing Education	Provider Component Share of col. 12	Physician Cost of Malpractice Insurance	
	1.00	2.00	8.00	9.00	12.00	13.00	14.00	
1.00	91.00	EMERGENCY	0	0	0	0	0	1.00
2.00	30.00	ADULTS & PEDIATRICS	0	0	0	0	0	2.00
3.00	0.00		0	0	0	0	0	3.00
4.00	0.00		0	0	0	0	0	4.00
5.00	0.00		0	0	0	0	0	5.00
6.00	0.00		0	0	0	0	0	6.00
7.00	0.00		0	0	0	0	0	7.00
8.00	0.00		0	0	0	0	0	8.00
9.00	0.00		0	0	0	0	0	9.00
10.00	0.00		0	0	0	0	0	10.00
200.00			0	0	0	0	0	200.00

## **Worksheet A-8- 2: ED availability requirements**

- Emergency department (ED) logs or time study
  - ▶ [Versabadge is becoming another popular option](#)
- Contract language addressing non-patient-related time
- 30-minute physician response time to emergency departments (do not need to be on premises)



## Worksheet A-8- 2: ED availability requirements

### Emergency Room Physician Time Study

Physician Name: \_\_\_\_\_

Date: \_\_\_\_\_

Physician Signature: \_\_\_\_\_

To complete, place an "X" in the appropriate box for each 15-minute increment to identify the activities performed.

	Emergency Room Availability	Physician Services			Emergency Room Availability	Physician Services
AM				PM		
0:00				12:00		
0:15				12:15		
0:30				12:30		
0:45				12:45		
1:00				1:00		
1:15				1:15		
1:30				1:30		
1:45				1:45		
2:00				2:00		
2:15				2:15		
2:30				2:30		
2:45				2:45		
3:00				3:00		
3:15				3:15		
3:30				3:30		
3:45				3:45		
4:00				4:00		
4:15				4:15		
4:30				4:30		
4:45				4:45		
5:00				5:00		
5:15				5:15		
5:30				5:30		

**Worksheet A-8-3**

### **Worksheet A-8- 3: Purchased PT, OT, ST, RT**

- Report only contracted PT, OT, ST, and RT
- Employed therapists are exempt from reasonable cost limits
- Reasonable cost is determined based on hourly limits and other factors
- Costs in excess of limits are eliminated on worksheet A-8



**Worksheet A series summary**

# Worksheet A lines

Health Financial Systems		SAMPLE CAH HOSPITAL			In Lieu of Form CMS-				
RECLASSIFICATION AND ADJUSTMENTS OF TRIAL BALANCE OF EXPENSES				Provider CCN: XX13XX	Period: From 01/01/2014 To 12/31/2014	Worksheet A			
				Date/Time Pre 12/18/2014 9:					
Cost Center Description		Salaries	Other	Total (col. 1 + col. 2)	Reclassificati ons (See A-6)	Reclassified Trial Balance (col. 3 +- col. 4)	Adjustments (See A-8)	Net Expenses For Allocation	
		1.00	2.00	3.00	4.00	5.00	6.00	7.00	
GENERAL SERVICE COST CENTERS									
1.00	00100 NEW CAP REL COSTS-BLDG & FIXT		1,400,000	1,400,000	150,000	1,550,000	-20,000	1,530,000	1.00
2.00	00200 NEW CAP REL COSTS-MVBLE EQUIP		0	0	600,000	600,000	-75,000	525,000	2.00
4.00	00400 EMPLOYEE BENEFITS DEPARTMENT	0	2,000,000	2,000,000	0	2,000,000	0	2,000,000	4.00
5.00	00500 ADMINISTRATIVE & GENERAL	1,100,000	1,100,000	2,200,000	0	2,200,000	-65,000	2,135,000	5.00
7.00	00700 OPERATION OF PLANT	200,000	500,000	700,000	0	700,000	0	700,000	7.00
8.00	00800 LAUNDRY & LINEN SERVICE	75,000	10,000	85,000	0	85,000	0	85,000	8.00
9.00	00900 HOUSEKEEPING	275,000	60,000	335,000	0	335,000	0	335,000	9.00
10.00	01000 DIETARY	200,000	430,000	630,000	0	630,000	-30,000	600,000	10.00
11.00	01100 CAFETERIA	0	0	0	0	0	0	0	11.00
16.00	01600 MEDICAL RECORDS & LIBRARY	500,000	130,000	630,000	0	630,000	0	630,000	16.00
INPATIENT ROUTINE SERVICE COST CENTERS									
30.00	03000 ADULTS & PEDIATRICS	920,000	100,000	1,020,000	0	1,020,000	-100,000	920,000	30.00
44.00	04400 SKILLED NURSING FACILITY	1,300,000	100,000	1,400,000	0	1,400,000	0	1,400,000	44.00
45.00	04500 NURSING FACILITY	0	0	0	0	0	0	0	45.00
ANCILLARY SERVICE COST CENTERS									
50.00	05000 OPERATING ROOM	200,000	400,000	600,000	0	600,000	0	600,000	50.00
54.00	05400 RADIOLOGY-DIAGNOSTIC	260,000	700,000	960,000	0	960,000	0	960,000	54.00
60.00	06000 LABORATORY	300,000	480,000	780,000	0	780,000	0	780,000	60.00
66.00	06600 PHYSICAL THERAPY	300,000	100,000	400,000	0	400,000	0	400,000	66.00
71.00	07100 MEDICAL SUPPLIES CHARGED TO PATIENTS	40,000	100,000	140,000	0	140,000	0	140,000	71.00
72.00	07200 IMPLANTABLE DEVICES CHARGED TO PATIENTS	0	0	0	0	0	0	0	72.00
73.00	07300 DRUGS CHARGED TO PATIENTS	250,000	750,000	1,000,000	0	1,000,000	0	1,000,000	73.00
OUTPATIENT SERVICE COST CENTERS									
88.00	08800 RURAL HEALTH CLINIC	1,000,000	600,000	1,600,000	0	1,600,000	0	1,600,000	88.00
91.00	09100 EMERGENCY	1,200,000	100,000	1,300,000	0	1,300,000	-400,000	900,000	91.00
92.00	09200 OBSERVATION BEDS (NON-DISTINCT PART)								92.00
SPECIAL PURPOSE COST CENTERS									
113.00	11300 INTEREST EXPENSE		750,000	750,000	-750,000	0	0	0	113.00
118.00	SUBTOTALS (SUM OF LINES 1-117)	8,120,000	9,810,000	17,930,000	0	17,930,000	-690,000	17,240,000	118.00
NONREIMBURSABLE COST CENTERS									
190.00	19000 GIFT, FLOWER, COFFEE SHOP & CANTEN	30,000	0	30,000	0	30,000	0	30,000	190.00
200.00	TOTAL (SUM OF LINES 118-199)	8,150,000	9,810,000	17,960,000	0	17,960,000	-690,000	17,270,000	200.00

Overhead  
Cost Centers

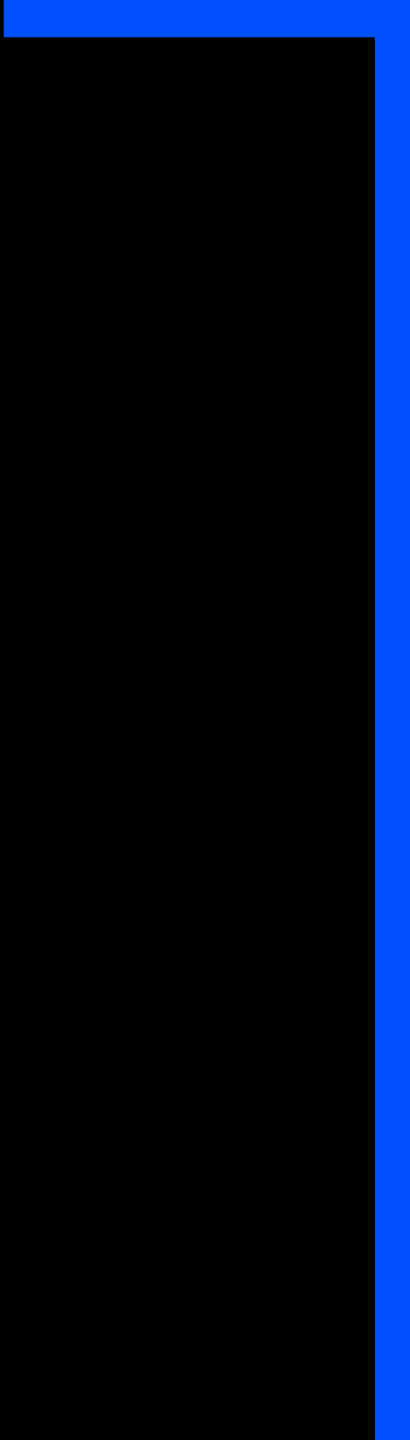
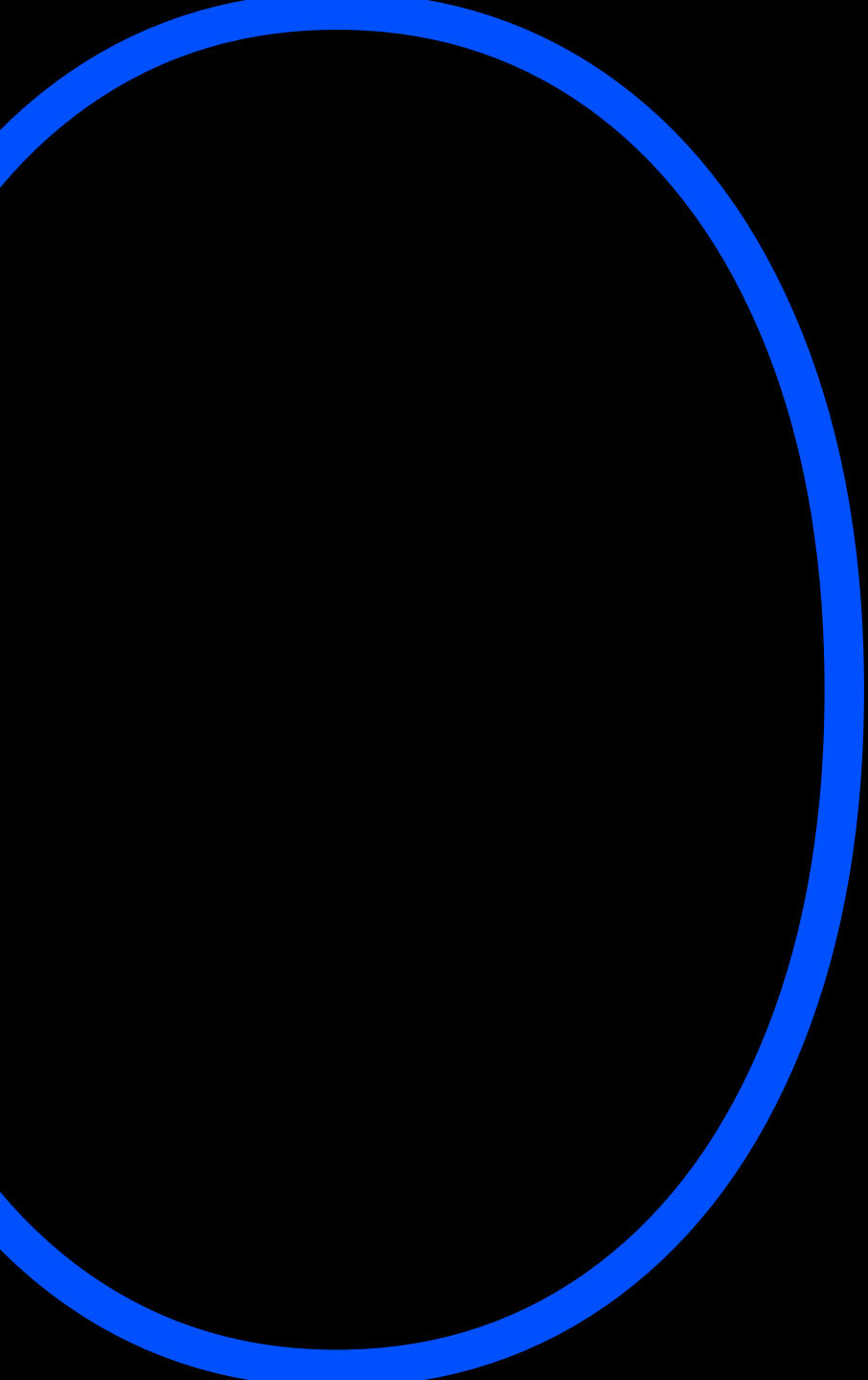
Revenue Producing  
Cost Centers

Non-reimburseable Cost Centers

Expense  
Elimination

# Overview (Part II)

Worksheet B	01
Worksheet C	02
Worksheet D & E	03
Worksheet M Series	04



**Worksheet B**

## Worksheet B

### Allocation of overhead costs

- Allocation of overhead costs to revenue-producing and non-reimbursable cost centers/departments using statistics.
- Costs cannot be allocated to an “earlier” cost center.
- The order of the allocation cannot be changed.
- Overhead departments include:
  - Laundry
  - Housekeeping
  - Dietary
  - Cafeteria
  - Nurse administration
  - Medical records
  - Capital-related costs – Depreciation and interest expense
  - Employee benefits
  - Administration and general
  - Plant and maintenance



# Worksheet B

## Allocation of all costs

- Column 0 equals Worksheet A Column 7
- Column 26 equals Column 0 in total with no costs reported on Lines 1 through 23

Health Financial Systems		SAMPLE CAH HOSPITAL		In Lieu of Form CMS-2552-10	
COST ALLOCATION - GENERAL SERVICE COSTS		Provider CCN:XX13XX	Period: From 01/01/2014 To 12/31/2014	Worksheet B Part I Date/Time Prepared: 12/18/2014 9:48 am	
Cost Center Description	Net Expenses for Cost Allocation (from wkst A col. 7)	CAPITAL RELATED COSTS		EMPLOYEE BENEFITS DEPARTMENT	Subtotal
		NEW BLDG & FIXT	NEW MVBLE EQUIP		
	0	1.00	2.00	4.00	4A
<b>GENERAL SERVICE COST CENTERS</b>					
1.00 00100 NEW CAP REL COSTS-BLDG & FIXT	1,530,000	1,530,000			1.00
2.00 00200 NEW CAP REL COSTS-MVBLE EQUIP	525,000		525,000		2.00
4.00 00400 EMPLOYEE BENEFITS DEPARTMENT	2,000,000	0	0	2,000,000	4.00
5.00 00500 ADMINISTRATIVE & GENERAL	2,135,000	175,459	215,250	269,939	5.00
7.00 00700 OPERATION OF PLANT	700,000	105,275	10,500	49,080	7.00
8.00 00800 LAUNDRY & LINEN SERVICE	85,000	10,528	0	18,405	8.00
9.00 00900 HOUSEKEEPING	335,000	0	1,050	67,485	9.00
10.00 01000 DIETARY	600,000	105,275	15,750	49,080	10.00
11.00 01100 CAFETERIA	0	21,055	0	0	11.00
16.00 01600 MEDICAL RECORDS & LIBRARY	630,000	70,183	26,250	122,700	16.00
<b>INPATIENT ROUTINE SERVICE COST CENTERS</b>					
30.00 03000 ADULTS & PEDIATRICS	920,000	140,367	31,500	225,767	30.00
44.00 04400 SKILLED NURSING FACILITY	1,400,000	0	21,000	319,014	44.00
45.00 04500 NURSING FACILITY	0	0	0	0	45.00
<b>ANCILLARY SERVICE COST CENTERS</b>					
50.00 05000 OPERATING ROOM	600,000	105,275	31,500	49,080	50.00
54.00 05400 RADIOLOGY-DIAGNOSTIC	960,000	70,183	15,750	63,804	54.00
60.00 06000 LABORATORY	780,000	35,092	33,600	73,620	60.00
66.00 06600 PHYSICAL THERAPY	400,000	105,275	10,500	73,620	66.00
71.00 07100 MEDICAL SUPPLIES CHARGED TO PATIENTS	140,000	0	2,100	9,816	71.00
72.00 07200 IMPLANTABLE DEVICES CHARGED TO PATIENTS	0	0	0	0	72.00
73.00 07300 DRUGS CHARGED TO PATIENTS	1,000,000	24,564	47,250	61,350	73.00
<b>OUTPATIENT SERVICE COST CENTERS</b>					
88.00 08800 RURAL HEALTH CLINIC	1,600,000	315,827	42,000	245,399	88.00
91.00 09100 EMERGENCY	900,000	245,642	21,000	294,479	91.00
92.00 09200 OBSERVATION BEDS (NON-DISTINCT PART)					92.00
<b>SPECIAL PURPOSE COST CENTERS</b>					
113.00 11300 INTEREST EXPENSE					113.00
118.00 SUBTOTALS (SUM OF LINES 1-117)	17,240,000	1,530,000	525,000	1,992,638	118.00
<b>NONREIMBURSABLE COST CENTERS</b>					
190.00 19000 GIFT, FLOXER, COFFEE SHOP & CANTEEN	30,000	0	0	7,362	190.00
200.00 Cross Foot Adjustments				0	200.00
201.00 Negative Cost Centers				0	201.00
202.00 TOTAL (sum lines 118-201)	17,270,000	1,530,000	525,000	2,000,000	202.00

Health Financial Systems		SAMPLE CAH HOSPITAL		In Lieu of Form CMS-2552-10	
COST ALLOCATION - GENERAL SERVICE COSTS		Provider CCN:XX13XX	Period: From 01/01/2014 To 12/31/2014	Worksheet B Part I Date/Time Prepared: 12/18/2014 9:48 am	
Cost Center Description	CAFETERIA	MEDICAL RECORDS & LIBRARY	Subtotal	Intern & Residents Cost & Post Stepdown Adjustments	Total
	11.00	16.00	24.00	25.00	26.00
<b>GENERAL SERVICE COST CENTERS</b>					
1.00 00100 NEW CAP REL COSTS-BLDG & FIXT					1.00
2.00 00200 NEW CAP REL COSTS-MVBLE EQUIP					2.00
4.00 00400 EMPLOYEE BENEFITS DEPARTMENT					4.00
5.00 00500 ADMINISTRATIVE & GENERAL					5.00
7.00 00700 OPERATION OF PLANT					7.00
8.00 00800 LAUNDRY & LINEN SERVICE					8.00
9.00 00900 HOUSEKEEPING					9.00
10.00 01000 DIETARY					10.00
11.00 01100 CAFETERIA	330,244				11.00
16.00 01600 MEDICAL RECORDS & LIBRARY	39,181	1,107,317			16.00
<b>INPATIENT ROUTINE SERVICE COST CENTERS</b>					
30.00 03000 ADULTS & PEDIATRICS	50,376	131,327	1,957,664	0	30.00
44.00 04400 SKILLED NURSING FACILITY	97,954	131,327	3,573,817	0	44.00
45.00 04500 NURSING FACILITY	0	0	0	0	45.00
<b>ANCILLARY SERVICE COST CENTERS</b>					
50.00 05000 OPERATING ROOM	8,396	85,561	1,127,701	0	50.00
54.00 05400 RADIOLOGY-DIAGNOSTIC	11,195	226,831	1,617,100	0	54.00
60.00 06000 LABORATORY	16,792	147,245	1,291,987	0	60.00
66.00 06600 PHYSICAL THERAPY	13,993	68,648	870,944	0	66.00
71.00 07100 MEDICAL SUPPLIES CHARGED TO PATIENTS	5,597	15,918	202,773	0	71.00
72.00 07200 IMPLANTABLE DEVICES CHARGED TO PATIENTS	0	0	0	0	72.00
73.00 07300 DRUGS CHARGED TO PATIENTS	11,195	111,429	1,493,902	0	73.00
<b>OUTPATIENT SERVICE COST CENTERS</b>					
88.00 08800 RURAL HEALTH CLINIC	47,578	123,368	3,052,346	0	88.00
91.00 09100 EMERGENCY	27,987	65,663	2,037,188	0	91.00
92.00 09200 OBSERVATION BEDS (NON-DISTINCT PART)				0	92.00
<b>SPECIAL PURPOSE COST CENTERS</b>					
113.00 11300 INTEREST EXPENSE					113.00
118.00 SUBTOTALS (SUM OF LINES 1-117)	330,244	1,107,317	17,225,422	0	118.00
<b>NONREIMBURSABLE COST CENTERS</b>					
190.00 19000 GIFT, FLOXER, COFFEE SHOP & CANTEEN	0	0	44,578	0	190.00
200.00 Cross Foot Adjustments			0	0	200.00
201.00 Negative Cost Centers			0	0	201.00
202.00 TOTAL (sum lines 118-201)	330,244	1,107,317	17,270,000	0	202.00

## Statistic Bases

Cost Center/ Department	Simplified Method	Standard Recommendation
Building and Fixtures	Square Feet	Square Feet
Movable Equipment	Square Feet	Depreciation Expense or Square Feet
Maintenance & Repairs	Square Feet	Square Feet
Operation of Plant	Square Feet	Square Feet
Housekeeping	Square Feet	Square Feet or Time Study
Employee Benefits	Salaries	Gross Salaries
Cafeteria	Salaries	FTEs
Administrative & General	Accumulated Costs	Accumulated Costs
Laundry & Linen	Patient Days	Laundry Pounds
Dietary	Patient Days	Meals
Social Service	Patient Days	Time Study or Patient Days
Nursing Administration	Nursing Salaries	Nursing FTEs
Central Services	Costed Requisitions	Costed Requisitions
Pharmacy	Costed Requisitions	Costed Requisitions
Medical Records	Gross Patient Revenue	Gross Patient Revenue or Time Study

## Worksheet B

### Part 1 – Fully allocated costs

Line #	Dept.	Wks A, Col 7	Allocations from general service cost centers	Total fully allocated costs, Wks B, Part I, Col 26	% of costs allocated
<b>General service cost centers</b>					
1	New capital-bldg and fixt	1,530,000	(1,530,000)	-	
2	New capital-equip	525,000	(525,000)	-	
4	Employee benefits	2,000,000	(2,000,000)	-	
5	Administrative and general	2,134,555	(2,135,000)	-	
7	Operation of plant	7,000,000	(700,000)	-	
8	Laundry and linen service	85,000	(85,000)	-	
9	Housekeeping	335,000	(335,000)	-	
10	Dietary	600,000	(600,000)	-	
16	Medical records and library	630,000	(630,000)	-	
<b>Inpatient routine service cost centers</b>					
30	Adults and pediatrics	920,000	1,037,700	1,957,700	53%
44	Skilled nursing facility	1,400,000	2,173,800	3,573,800	61%
<b>Ancillary service cost centers</b>					
50	Operating room	600,000	527,700	1,127,700	47%
54	Radiology-diagnostic	960,000	657,100	1,617,100	41%
60	Laboratory	780,000	512,000	1,292,000	40%
66	Physical therapy	400,000	470,900	870,000	54%
71	Medical supplies charged to patients	140,000	62,800	202,800	31%
73	Drugs charged to patients	1,000,000	493,900	1,493,900	33%
<b>Outpatient service cost centers</b>					
88	Rural health clinic	16,000,000	1,452,300	3,052,300	48%
91	Emergency	900,000	1,137,200	2,037,200	56%
<b>Nonreimbursable cost centers</b>					
	Subtotal	17,240,000	(14,600)	17,225,400	
190	Gift, flower, coffee shop and canteen	30,000	14,600	44,600	33%
	Total	17,270,000	-	17,270,000	

Q2

**Worksheet C**

Worksheet C reports gross patient service revenue by cost center/department:

- Cost-to-charge ratio is calculated
- Cost-to-charge ratio used for ancillary reimbursement
- Key concept: Matching of revenue and expenses

## Worksheet C

## Cost-to-charge ratio

Health Financial Systems		SAMPLE CAH HOSPITAL		In Lieu of Form CMS-2552-10		
COMPUTATION OF RATIO OF COSTS TO CHARGES				Provider CCN: XX13XX	Period: From 01/01/2014 To 12/31/2014	Worksheet C Part I Date/Time Prepared: 12/18/2014 9:48 am
				Title XVIII	Hospital	Cost
Cost Center Description		Total Cost (from Wkst. B, Part I, col. 26)	Therapy Limit Adj.	Costs		Total Costs
				Total Costs	RCE Disallowance	
		1.00	2.00	3.00	4.00	5.00
INPATIENT ROUTINE SERVICE COST CENTERS						
30.00	03000 ADULTS & PEDIATRICS	1,957,664		1,957,664	0	1,957,664
44.00	04400 SKILLED NURSING FACILITY	3,573,817		3,573,817	0	3,573,817
45.00	04500 NURSING FACILITY	0		0	0	0
ANCILLARY SERVICE COST CENTERS						
50.00	05000 OPERATING ROOM	1,127,701		1,127,701	0	1,127,701
54.00	05400 RADIOLOGY-DIAGNOSTIC	1,617,100		1,617,100	0	1,617,100
60.00	06000 LABORATORY	1,291,987		1,291,987	0	1,291,987
66.00	06600 PHYSICAL THERAPY	870,944	0	870,944	0	870,944
71.00	07100 MEDICAL SUPPLIES CHARGED TO PATIENTS	202,773		202,773	0	202,773
72.00	07200 IMPLANTABLE DEVICES CHARGED TO PATIENTS	0		0	0	0
73.00	07300 DRUGS CHARGED TO PATIENTS	1,493,902		1,493,902	0	1,493,902
OUTPATIENT SERVICE COST CENTERS						
88.00	08800 RURAL HEALTH CLINIC	3,052,346		3,052,346	0	3,052,346
91.00	09100 EMERGENCY	2,037,188		2,037,188	0	2,037,188
92.00	09200 OBSERVATION BEDS (NON-DISTINCT PART)	243,711		243,711		243,711
SPECIAL PURPOSE COST CENTERS						
113.00	11300 INTEREST EXPENSE					
200.00	Subtotal (see instructions)	17,469,133	0	17,469,133	0	17,469,133
201.00	Less Observation Beds	243,711		243,711		243,711
202.00	Total (see instructions)	17,225,422	0	17,225,422	0	17,225,422



- Column 6 and 7 equal the hospital's inpatient and outpatient service revenue per the general ledger, less any revenue billed for professional services
- Column 8 total must be reconciled to internal or audited financial statements
- Cost-to-charge ratios are computed for ancillary departments (Column 9)

## Worksheet C

### Cost-to-charge ratio

Health Financial Systems			SAMPLE CAH HOSPITAL			In Lieu of Form CMS-2552-10		
COMPUTATION OF RATIO OF COSTS TO CHARGES			Provider CCN: XX13XX			Period: From 01/01/2014 To 12/31/2014		
			Title XVIII			Hospital		Cost
Cost Center Description			Charges			Cost or Other Ratio	TEFRA Inpatient Ratio	
			Inpatient	Outpatient	Total (col. 6 + col. 7)			
			6.00	7.00	8.00	9.00	10.00	
<b>INPATIENT ROUTINE SERVICE COST CENTERS</b>								
30.00	03000	ADULTS & PEDIATRICS	2,600,000		2,600,000			30.00
44.00	04400	SKILLED NURSING FACILITY	3,300,000		3,300,000			44.00
45.00	04500	NURSING FACILITY	0		0			45.00
<b>ANCILLARY SERVICE COST CENTERS</b>								
50.00	05000	OPERATING ROOM	250,000	1,900,000	2,150,000	0.524512	0.000000	50.00
54.00	05400	RADIOLOGY-DIAGNOSTIC	400,000	5,300,000	5,700,000	0.283702	0.000000	54.00
60.00	06000	LABORATORY	400,000	3,300,000	3,700,000	0.349186	0.000000	60.00
66.00	06600	PHYSICAL THERAPY	425,000	1,300,000	1,725,000	0.504895	0.000000	66.00
71.00	07100	MEDICAL SUPPLIES CHARGED TO PATIENTS	180,000	220,000	400,000	0.506933	0.000000	71.00
72.00	07200	IMPLANTABLE DEVICES CHARGED TO PATIENTS	0	0	0	0.000000	0.000000	72.00
73.00	07300	DRUGS CHARGED TO PATIENTS	500,000	2,300,000	2,800,000	0.533536	0.000000	73.00
<b>OUTPATIENT SERVICE COST CENTERS</b>								
88.00	08800	RURAL HEALTH CLINIC	0	3,100,000	3,100,000			88.00
91.00	09100	EMERGENCY	50,000	1,600,000	1,650,000	1.234659	0.000000	91.00
92.00	09200	OBSERVATION BEDS (NON-DISTINCT PART)	100,000	600,000	700,000	0.348159	0.000000	92.00
<b>SPECIAL PURPOSE COST CENTERS</b>								
113.00	11300	INTEREST EXPENSE						113.00
200.00		Subtotal (see instructions)	8,205,000	19,620,000	27,825,000			200.00
201.00		Less Observation Beds						201.00
202.00		Total (see instructions)	8,205,000	19,620,000	27,825,000			202.00

05

**Worksheet D and E**

## Worksheet D

### Determines Medicare's costs

- Worksheet D Series calculates Medicare's cost for services provided to Medicare patients
- Applies cost-to-charge ratio by department from Worksheet C to Medicare charges to estimate the Medicare cost
- Medicare patient days, charges, payments, and other processed claims information are provided by Medicare on the provider statistical and reimbursement (PS&R) report
- Group PS&R revenue by revenue code to match cost centers where related revenue and expenses recognized on Worksheet A series and Worksheet C series



## Medicare PS&R

- Suggestions for running PS&R:
  - Attempt to run reports well in advance (at least 45 days) to ensure you can access data needed for your cost report
  - For cost report PS&R, we suggest you use a paid-through date that is as close as possible to the due date of your cost report (be sure to review that claim billing is not behind or the final settlement could change significantly)
  - Passwords in the online PS&R system expire every 60 days

## Medicare PS&R

Cost report worksheet	Related PS&R schedule
<b>Statistical data</b>	
S-3	Reports 110, 118, 180, 210, 399, 710
<b>Charges</b>	
D-3 Hospital	Report 110 – Inpatient Part A (charges)
D-3 SNF	Report 210 – SNF – Inpatient Part A (charges)
D-3 S/B SNF	Report 180 – Swing bed SNF (charges)
D Part V	Report 850 – Outpatient (charges)
S-4	Report 399 – Home health
<b>Payments</b>	
E-1, Hospital, Col 2	Report 110 – Inpatient Part A (net reimbursement)
E-1, Hospital, Col 4	Report 850 – Outpatient (net reimbursement)
E-1, SNF, Col 2	Report 210 – Inpatient Part A (net reimbursement)
E-1, S/B – SNF, Col 2	Report 180 – Swing bed SNF (net reimbursement)
M-5	Report 710 – Rural health clinic (net reimbursement)
H-4	Report 399 – Home health

- Cost-to-charge ratio from Worksheet C
- Outpatient Medicare charges from PS&R
- Ratio times charge equals Medicare cost

## Worksheet D-3

(Inpatient, SNF,  
swing bed)

Overall Cost-to-charge ratio: 47.6%  
2,808,587 / 5,900,000 before 101%

# Worksheet D-1 Hospital

Worksheet D-1 Medicare  
Line 38, Inpatient Routine  
Service Cost Per Diem

Health Financial Systems		SAMPLE CAH HOSPITAL		In Lieu of Form CMS-2552-10	
COMPUTATION OF INPATIENT OPERATING COST		Provider CCN: XX13XX	Period: From 01/01/2014 To 12/31/2014	Worksheet D-1 Date/Time Prepared: 12/18/2014 9:48 am	
		Title XVIII	Hospital	Cost	
Cost Center Description				1.00	
PART I - ALL PROVIDER COMPONENTS					
INPATIENT DAYS					
1.00	Inpatient days (including private room days and swing-bed days, excluding newborn)			2,275	1.00
2.00	Inpatient days (including private room days, excluding swing-bed and newborn days)			1,475	2.00
3.00	Private room days (excluding swing-bed and observation bed days). If you have only private room days, do not complete this line.			0	3.00
4.00	Semi-private room days (excluding swing-bed and observation bed days)			1,200	4.00
5.00	Total swing-bed SNF type inpatient days (including private room days) through December 31 of the cost reporting period			720	5.00
6.00	Total swing-bed SNF type inpatient days (including private room days) after December 31 of the cost reporting period (if calendar year, enter 0 on this line)			0	6.00
7.00	Total swing-bed NF type inpatient days (including private room days) through December 31 of the cost reporting period			80	7.00
8.00	Total swing-bed NF type inpatient days (including private room days) after December 31 of the cost reporting period (if calendar year, enter 0 on this line)			0	8.00
9.00	Total inpatient days including private room days applicable to the Program (excluding swing-bed and newborn days)			725	9.00
10.00	Swing-bed SNF type inpatient days applicable to title XVIII only (including private room days) through December 31 of the cost reporting period (see instructions)			600	10.00
11.00	Swing-bed SNF type inpatient days applicable to title XVIII only (including private room days) after December 31 of the cost reporting period (if calendar year, enter 0 on this line)			0	11.00
12.00	Swing-bed NF type inpatient days applicable to titles V or XIX only (including private room days) through December 31 of the cost reporting period			0	12.00
13.00	Swing-bed NF type inpatient days applicable to titles V or XIX only (including private room days) after December 31 of the cost reporting period (if calendar year, enter 0 on this line)			0	13.00
14.00	Medically necessary private room days applicable to the Program (excluding swing-bed days)			0	14.00
15.00	Total nursery days (title V or XIX only)			0	15.00
16.00	Nursery days (title V or XIX only)			0	16.00
SWING BED ADJUSTMENT					
17.00	Medicare rate for swing-bed SNF services applicable to services through December 31 of the cost reporting period				17.00
18.00	Medicare rate for swing-bed SNF services applicable to services after December 31 of the cost reporting period				18.00
19.00	Medicaid rate for swing-bed NF services applicable to services through December 31 of the cost reporting period			155.00	19.00
20.00	Medicaid rate for swing-bed NF services applicable to services after December 31 of the cost reporting period			155.00	20.00
21.00	Total general inpatient routine service cost (see instructions)			1,957,664	21.00
22.00	Swing-bed cost applicable to SNF type services through December 31 of the cost reporting period (line 5 x line 17)			0	22.00
23.00	Swing-bed cost applicable to SNF type services after December 31 of the cost reporting period (line 6 x line 18)			0	23.00
24.00	Swing-bed cost applicable to NF type services through December 31 of the cost reporting period (line 7 x line 19)			12,400	24.00
25.00	Swing-bed cost applicable to NF type services after December 31 of the cost reporting period (line 8 x line 20)			0	25.00
26.00	Total swing-bed cost (see instructions)			650,486	26.00
27.00	General inpatient routine service cost net of swing-bed cost (line 21 minus line 26)			1,307,178	27.00
PRIVATE ROOM DIFFERENTIAL ADJUSTMENT					
28.00	General inpatient routine service charges (excluding swing-bed and observation bed charges)			0	28.00
29.00	Private room charges (excluding swing-bed charges)			0	29.00
30.00	Semi-private room charges (excluding swing-bed charges)			0	30.00
31.00	General inpatient routine service cost/charge ratio (line 27 ÷ line 28)			0.000000	31.00
32.00	Average private room per diem charge (line 29 ÷ line 3)			0.00	32.00
33.00	Average semi-private room per diem charge (line 30 ÷ line 4)			0.00	33.00
34.00	Average per diem private room charge differential (line 32 minus line 33)(see instructions)			0.00	34.00
35.00	Average per diem private room cost differential (line 34 x line 31)			0.00	35.00
36.00	Private room cost differential adjustment (line 3 x line 35)			0	36.00
37.00	General inpatient routine service cost net of swing-bed cost and private room cost differential (line 27 minus line 36)			1,307,178	37.00
PART II - HOSPITAL AND SUBPROVIDERS ONLY					
PROGRAM INPATIENT OPERATING COST BEFORE PASS THROUGH COST ADJUSTMENTS					
38.00	Adjusted general inpatient routine service cost per diem (see instructions)			886.23	38.00
39.00	Program general inpatient routine service cost (line 9 x line 38)			642,517	39.00
40.00	Medically necessary private room cost applicable to the Program (line 14 x line 35)			0	40.00
41.00	Total Program general inpatient routine service cost (line 39 + line 40)			642,517	41.00

\$1,957,664 (I) less NF SB Cost of  
\$12,400 = \$1,945,264 / (2,275 I/P  
days – 80 NF SB days) = \$886.23 (A)

SNF SB 720 days x \$886.23 =  
\$638,085 (B)

NF SB: 80 days x \$155 = \$12,400 (B)

\$650,486 Sum (B)'s = Total SB cost

(I) I/P routine allowable costs, Wks  
B, Part 1, Col 26

(B)'s

(A)

## Worksheet E

### Medicare settlements

Medicare settlements:

101% of costs (routine and ancillary)

Less:

- Deductible
- Coinsurance

Plus + Medicare bad debts

Less – sequestration adjustment (2% of 101% of cost less deductible and coinsurance lines)

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= Total Medicare reimbursable cost

Less – payments received from Medicare (Worksheet E-1)

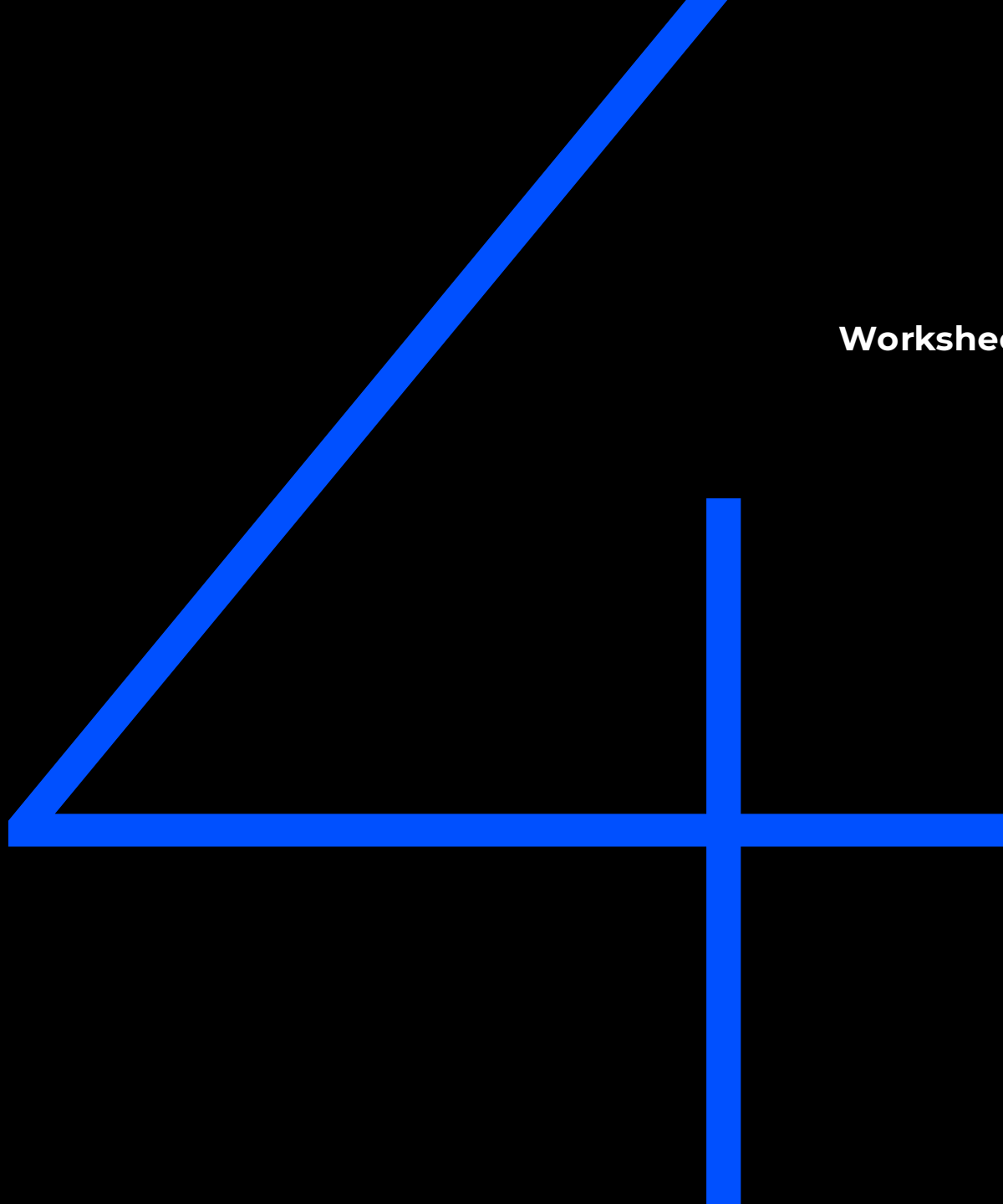
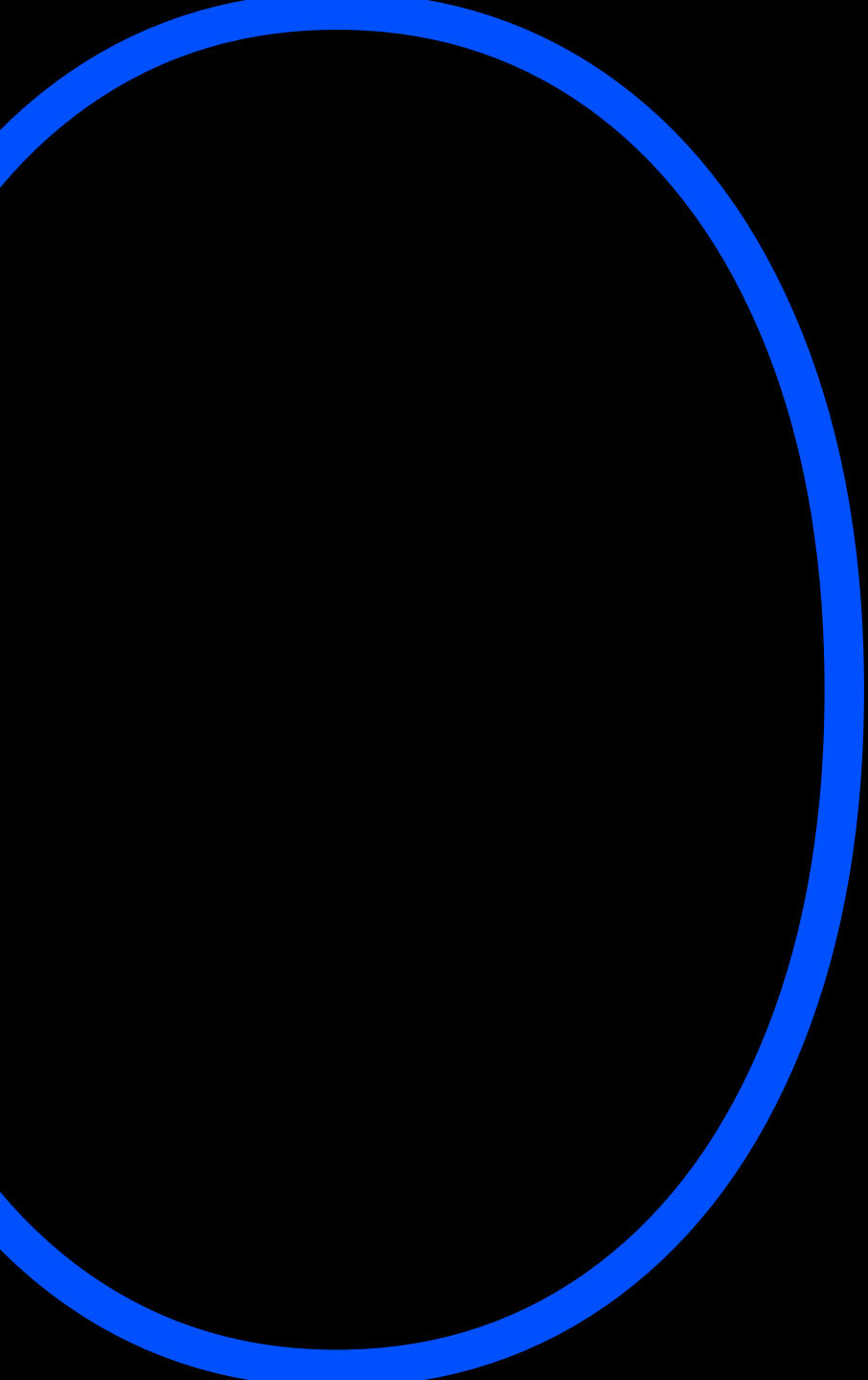
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= Medicare settlement

# Worksheet G

## Financial statements

G	Balance sheet
G – 1	Fund balance
G – 2	Patient revenues
G – 3	Revenue and expense



**Worksheet M Series**

## Worksheet M

### RHC cost report components

- Trial balance of expenses
- Reclassification and adjustment of trial balance of expenses
  - Reclassifications
  - Adjustments
  - Related-party adjustments
- RHC provider statistics
- Flu/PPV/COVID/HEP B vaccine costs
- Visits
- Mental health counselors and licensed marriage and family therapists (as of 1/1/25)
- Overhead
- Determination of Medicare reimbursement and payments



## Cost report example

### Worksheet M

						:	NET
						:	EXPENSES
		COMPEN-	OTHER		RECLASS-	:	FOR
		SATION	COSTS	TOTAL	IFICATIONS	:	ALLOCATION
		1	2	3	4	:	7
	FACILITY HEALTH CARE STAFF COSTS					:	
1	Physician	850,000	150,000	1,000,000		:	1,000,000
2	Physician Assistant	120,000	40,000	160,000		:	160,000
3	Nurse Practitioner					:	
4	Visiting Nurse					:	
5	Other Nurse	175,000		175,000		:	175,000
6	Clinical Psychologist					:	
7	Clinical Social Worker					:	
8						:	
9	Other Facility Health Care Staff Costs					:	
10	Subtotal (sum of lines 1-9)	1,145,000	190,000	1,335,000	-	:	1,335,000

## Worksheet M

Identify costs of non-RHC services

- Laboratory services
- Diagnostic radiology
- Hospital patients (inpatient/ER/ASC)
- Medical directorships
- Screening mammography services
- DME
- Ambulance services
- Prosthetic devices

These costs may be allowable on the Hospital cost report for areas such as laboratory or radiology services if qualify as provider-based services; however, they are carved out of the RHC allowable costs when determining the rate per encounter.

## Worksheet M

Cost report requires separation of FTEs and visits

- Healthcare provider FTEs and visits:
  - Physician
  - Physician Assistant
  - Nurse Practitioner
  - Visiting Nurse
  - Clinical Psychologist
  - Clinical Social Worker

## Worksheet M

Common mistakes calculating FTEs:

DO record FTE for clinic time only:

- Time spent in the clinic
- Time with SNF patients
- Time with swing bed patients

DO NOT include non-clinic time for FTE:

- Hospital time (inpatient or outpatient)
- Administrative time
- Committee time

*Provider time for visits by physicians under agreement who do not furnish services to patients on a regular ongoing basis in the RHC are not subject to productivity standards.*

## Worksheet M

### Sample reconciliation of provider FTE

Clinical FTE	0.70
Administrative FTE	0.05
Hospital FTE	0.20
Medical Director FTE	<u>0.05</u>
<b>Total FTE</b>	<b>1.00</b>

## Worksheet M

Productivity standards:

- Physician 4,200 visits annually for 1.0 FTE
- Midlevel 2,100 visits annually for 1.0 FTE

Total visits used in calculation of cost per visit is the greater of the actual visits or minimum allowed (FTEs x Productivity Standard).

An exemption to the productivity standards may be requested on an annual basis; however, exemption requirements are vague and may be difficult to obtain. Need to show a unique circumstance as to why the standard should be reduced.

FY 2025 Productivity Standards have been removed from the cost per visit calculation. Requirements to report FTEs are assumed unchanged until updated forms and instructions become available.

NOTE: The cost report productivity standards cannot be manually adjusted. Therefore, if a provider only worked a portion of a year or if the cost report only represents a portion of a year, the FTE should be adjusted accordingly.

# Medicare Cost Report

## Sample Worksheet M-2

Visits and Productivity		Number of	Total	Productivity	Minimum	Greater of Total
Position		FTEs	Visits	Standard	Visits	or Minimum Visits
1	Physician	1.00	2,000	4,200	4,200	
2	Physician Assistant	-	-	2,100	-	
3	Nurse Practitioner	1.30	3,200	2,100	2,730	
4	Subtotal	2.30	5,200		6,930	6,930

Visits and Productivity		Number of	Total	Productivity	Minimum	Greater of Total
Position		FTEs	Visits	Standard	Visits	or Minimum Visits
1	Physician	0.70	2,000	4,200	2,940	
2	Physician Assistant	-	-	2,100	-	
3	Nurse Practitioner	1.30	3,200	2,100	2,730	
4	Subtotal	2.00	5,200		5,670	5,670

## Worksheet M

RHC payment rate calculator

Allowable RHC costs

Greater of total visits or minimum visits

---

= RHC cost per encounter

(Not to exceed the maximum reimbursement limits  
if clinic is an independent rural health clinic)



## Other cost report worksheets

H Series = Home health

K Series = Hospice

I Series = Dialysis

Sub-providers = Psych, acute rehab, SNF

*\*May require additional D and E series worksheets*

## Useful information

	Worksheet
Cost-to-charge ratios	C
Cost per day	D-1
Cost per visit (RHC)	M-3
Cost per visit (HHA)	H-3
Charges I/P & O/P	C
Patient days	S-3
FTEs	S-3
Direct cost by department	A
Allocated cost	B, Part 1
Statistical data	B-1
Medicare inpatient cost	D-1
	D-3
Medicare outpatient cost	D, Part V

Questions?



**ONE TEAM,**  
**ONE**  
**FOCUS. YOU.**



# ORH Announcements

**Next Community Conversations | Nov. 20 | 12:00 p.m.**

National Rural Health Day: Celebrating Rural Health in Oregon ([Register here](#))

**Next ORH Biweekly Policy Update Meeting | Nov. 21 | 12:00 p.m. ([Register here](#))**

**Next CAH Finance and Operations Webinar | Creating a Durable Strategic Plan for Your CAH | Dec. 16 | 12:00 p.m. ([Register here](#))**

**Rural Population Health Incubator Grants | Applications due Jan. 23, 2026**  
([More information here](#))

**May 14-15, 2026 Virtual | 3<sup>rd</sup> Annual Forum on Rural Population Health | Now accepting presentation proposals through Dec. 12.**  
([More information here](#))

**Oct. 7-9, Bend, OR | 43rd Annual Oregon Rural Health Conference**  
([More information here](#))



# Thank you!

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