

Maximizing Medicare Cost Report Reimbursement

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I have no relevant financial relationships to disclose.

Unique Reimbursement for Transplantation

- Medicare reimburses hospitals for organ transplants by paying a DRG for the hospitalization
- Medicare also pays hospitals for transplant services based on the Organ Acquisition Costs reported on the hospital's Medicare Cost Report
- Transplant is one of the few areas within a Hospital that is reimbursed on costs through the MCR
- Medicare is a major revenue stream for transplant hospitals and programs

Medicare Provider Reimbursement Manual, Part 1, Ch 31, Organ Acquisition Payment Policy 4/2016

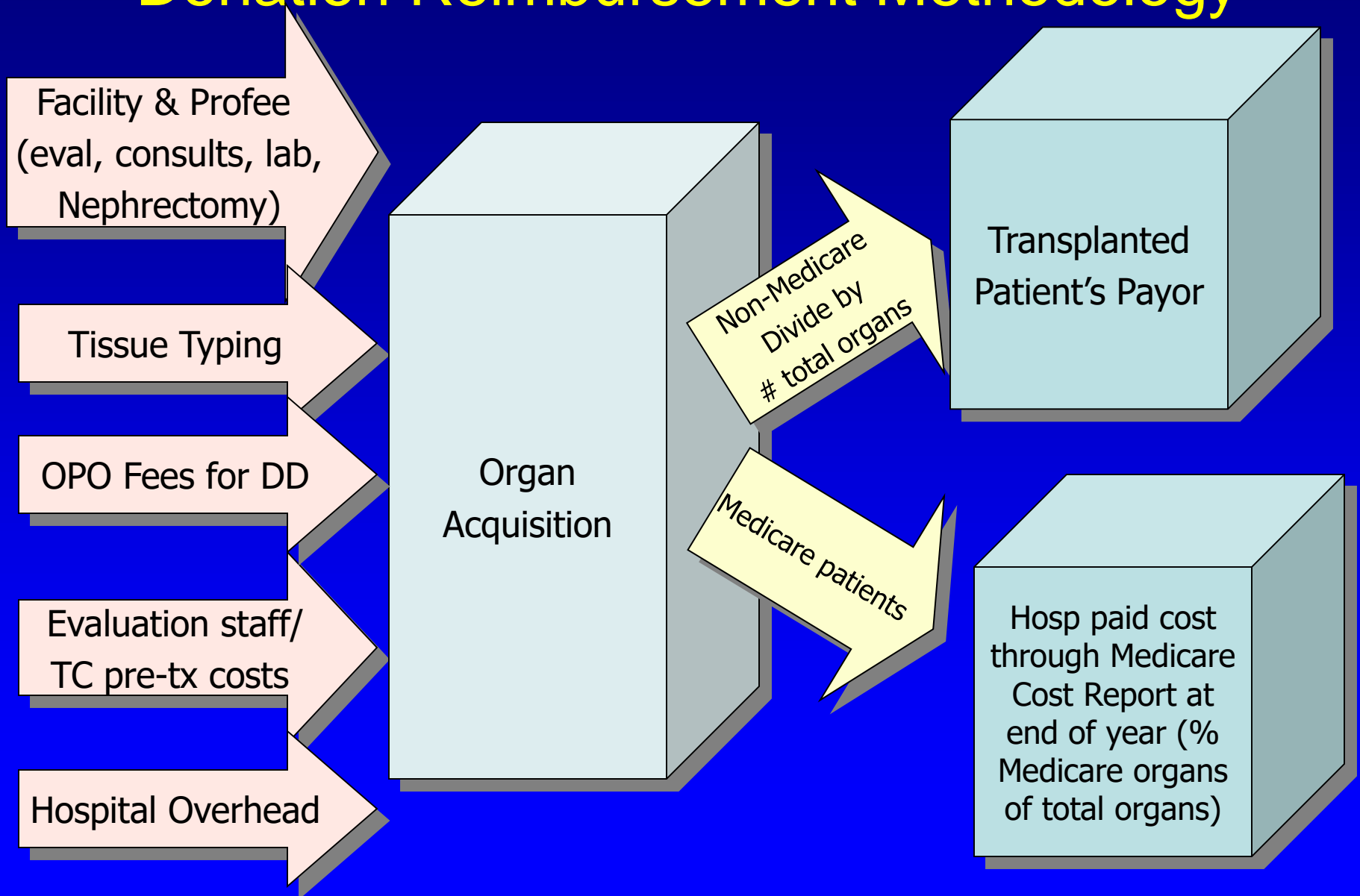
“CTCs must develop two standard acquisition charges (SACs) based on costs expected to be reasonably and necessarily incurred in the acquisition of an organ:

- The SAC for acquiring a living donor organ; and*
- The SAC for acquiring a cadaveric donor organ*

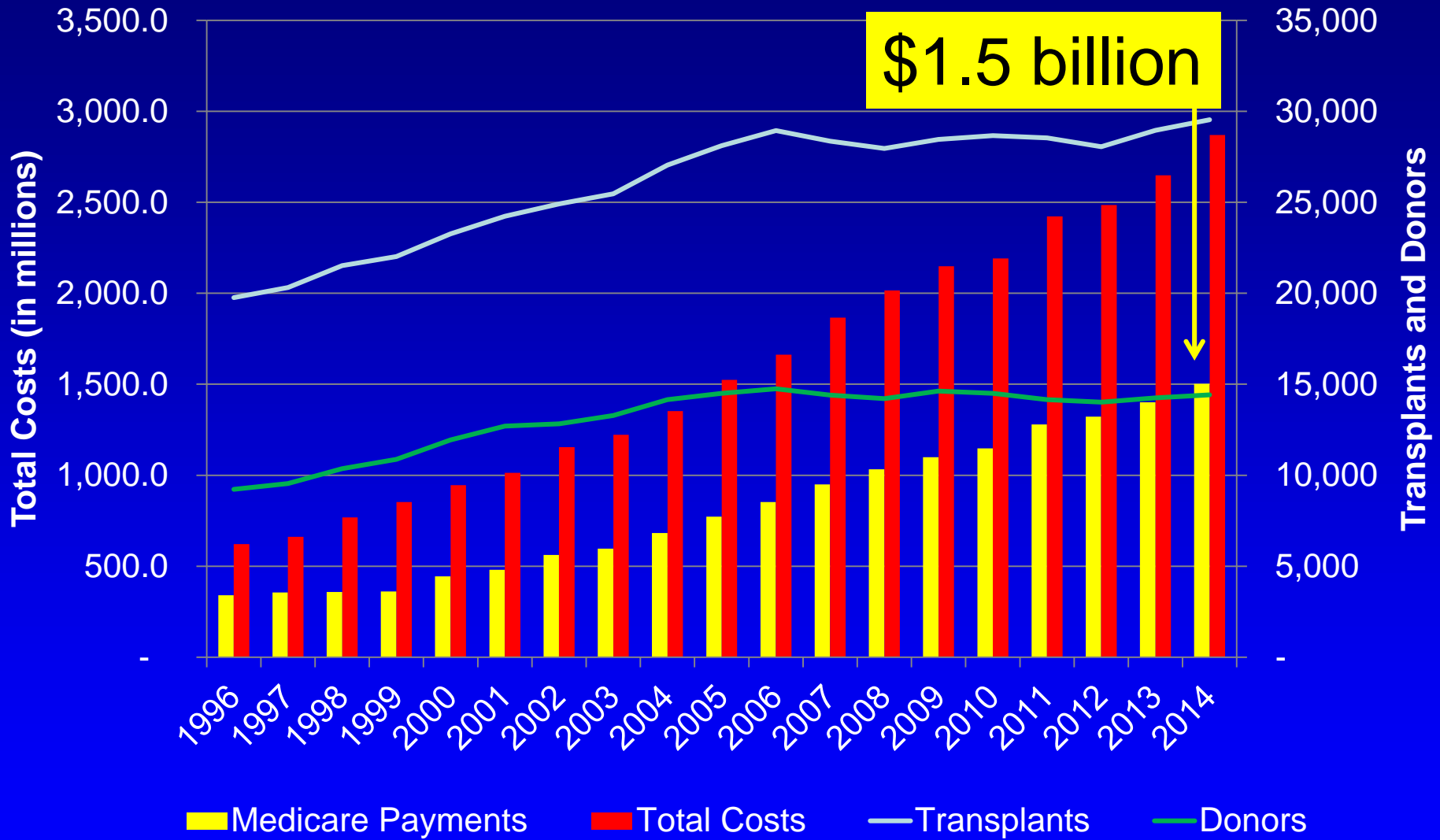
The SAC does not represent the acquisition cost of an individual organ...it is a charge which reflects an average of the total actual costs associated with procuring [an organ], by type of organ...

When a CTC provides an organ to another CTC or OPO, it must bill its SAC or its standard departmental charges reduced to cost. For a Medicare covered transplant...the costs are paid on an interim basis and reconciled through the MCR at the end of the CTC's cost reporting period.”

Pre-Transplant Recipient and Living Donation Reimbursement Methodology

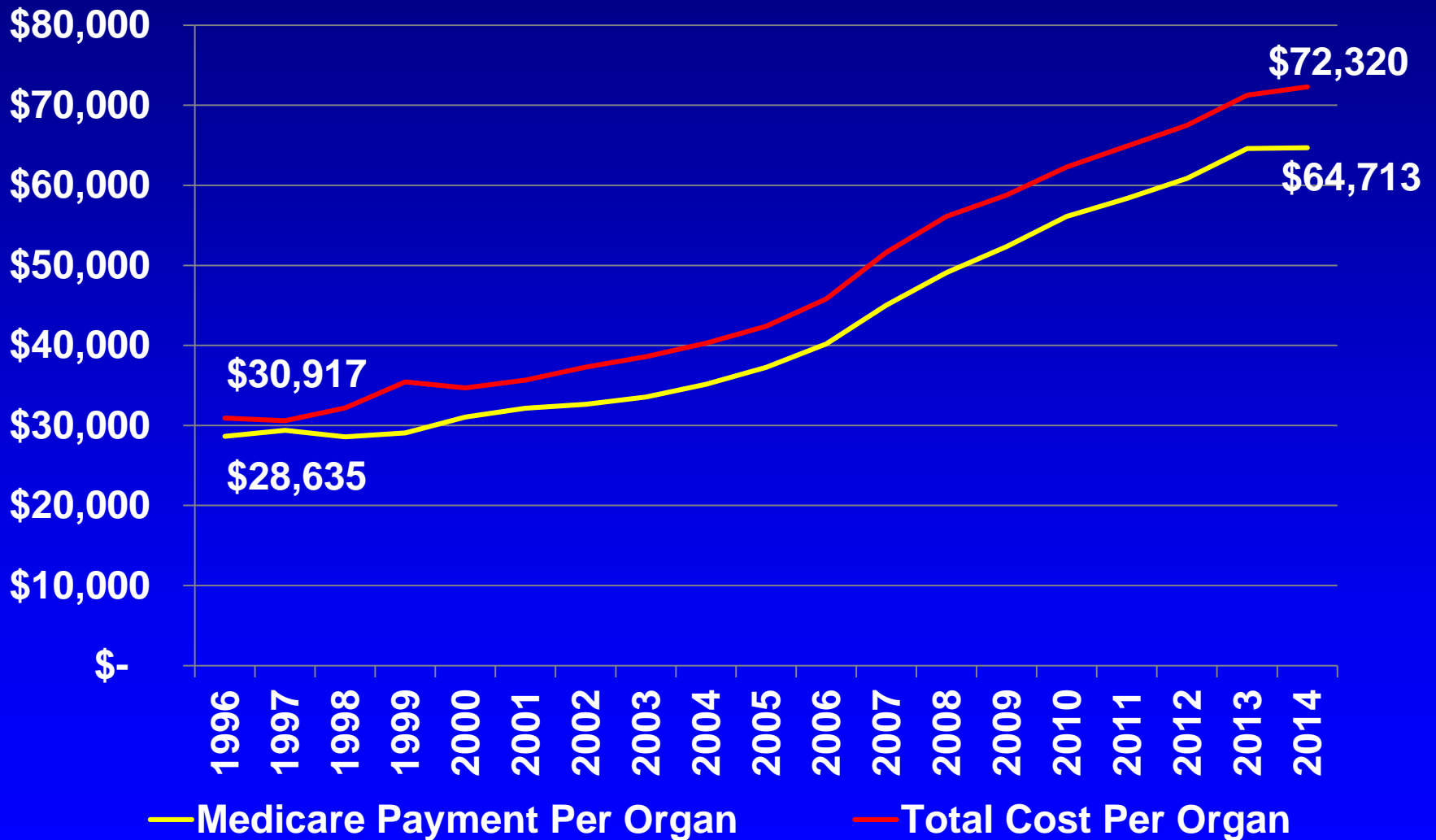


Organ Acquisition Costs, Transplants and Donors by Year



Between 1996 and 2014 costs increased by 253%, transplants by 45% and donors by 57%

Average Cost Per Organ by FY



Average Cost Per Organ by FY

Fiscal Year	Medicare Payment Per Organ	Kidney OPO SAC	Dialysis Medicare Payments Per Patient Year (USRDS)	Total Transplants (UNOS)
1996	\$ 28,635	18,147	52,879	19,765
2014	\$ 64,713	31,349	83,356	28,995
Increase 1996 to 2014	126%	73%	56%	46%

Cost Drivers

- The system is not designed to incentivize cost reduction
- Increased overhead resulting from regulatory requirements
- Increased costs of OPOs, HLA (also paid on Cost Reports)
- Education about allowable costs on Cost Report

Reporting Variability: FY14 Total Organ Acquisition Costs Per Usable Organ

Organ Type	Programs	Mean	Standard Deviation	Minimum	Maximum
All	228 hospitals/ 652 programs	\$ 81,343	\$ 45,244	\$ 18,161	\$ 392,767
Heart	117	\$ 97,424	\$ 61,045	\$ 12,663	\$ 584,585
Intestine	11	\$ 216,234	\$ 288,234	\$ 50,683	\$ 1,007,904
Kidney	219	\$ 76,478	\$ 41,897	\$ 18,161	\$ 349,743
Liver	125	\$ 84,593	\$ 57,122	\$ 5,360	\$ 578,527
Pancreas	119	\$ 55,093	\$ 33,318	\$ 3,969	\$ 249,104
Lung	61	\$ 79,311	\$ 37,473	\$ 37,473	\$ 198,687

OIG Audit Results

	Years Audited	Claimed Costs	Medicare Reimbursement	Estimated Medicare Overpayment
Total	21	\$203,281,448	\$105,094,038	\$28,430,118
Average Per Hospital	1.9	\$18,480,132	\$9,554,003	\$2,584,556

\$124M not audited: Medicare eligibility of beneficiaries, Inpatient days claimed, Indirect cost pools on B Worksheets

Cost Category	Unallowable	Unsupported	Medicare Share of Unallowable & Unsupported
Salaries	\$ 1,177,528	\$ 24,506,226	\$ 14,818,705
Medical director fees	\$ 1,512,210	\$ 1,803,027	\$ 2,084,638
Laboratory costs	\$ 1,589,176	\$ -	\$ 1,273,992
Floor space	\$ 2,050,939	\$ 5,618,406	\$ 5,027,405
Other costs	\$ 4,878,419	\$ 3,669,597	\$ 5,225,378
Total	\$ 11,208,272	\$ 35,597,256	\$ 28,430,118

FY2014 Cost Report D-4, Part III Worksheet for All Organ Types

FORM CMS-2552-10

4090 (Cont.)

COMPUTATION OF ORGAN ACQUISITION COSTS AND CHARGES
FOR HOSPITALS WHICH ARE CERTIFIED TRANSPLANT CENTERS

PROVIDER CCN: _____

PERIOD: _____

WORKSHEET D-4,
PARTS III & IV

OPO CCN: _____

FROM _____
TO _____

HEART LIVER PANCREAS ISLET
 KIDNEY LUNG INTESTINE OTHER (specify)

PART III - SUMMARY OF COSTS AND CHARGES

		Cost		Charges		
		Part A	Part B	Part A	Part B	
		1	2	3	4	
56	Routine and Ancillary from Part I	381,795,612		1,948,275,670		56
57	Interns and Residents (inpatient)	11,189				57
58	Interns and Residents (outpatient)	73,668				58
59	Direct Organ Acquisition (see instructions)	2,501,597,181		2,744,954,370		59
60	Cost of Services of Teaching Physicians (Wkst. D-5, Part II)	-				60
61	Total (sum of lines 56 thru 60)	2,883,477,650		4,693,230,040		61
62	Total Usable Organs (see instructions)	39,809				62
63	Medicare Usable Organs (see instructions)	23,268				63
64	Ratio of Medicare Usable Organs to Total Usable Organs (line 63 ÷ line 62)	58%				64
65	Medicare Cost/Charges (see instructions)	1,602,270,194		2,705,705,890		65
66	Revenue for Organs Sold	93,749,832		47,646,786		66
67	Subtotal (line 65 minus line 66)	1,508,520,362		2,658,059,104		67
68	Organs Furnished Part B	60,796	60,796	60,796	60,796	68
69	Net Organ Acquisition Cost and Charges (see instructions)	1,508,459,566		2,657,998,308	60,796	69

Average Medicare Settlement Per Hospital: \$6.6M

Line 59 “Direct Organ Acquisition”

= Direct Costs from Worksheet A
+
Indirect Costs from Worksheet B

Direct Costs

Direct costs that are directly related to organ acquisition and are accumulated in the organ acquisition cost centers on **Worksheet A**

Rev. 1 10-96		FORM CMS-2552-96					36-513 3690 (Cont.)	
RECLASSIFICATION AND ADJUSTMENT OF TRIAL BALANCE OF EXPENSES				PROVIDER NO.:	PERIOD: FROM _____ TO _____		WORKSHEET A	
COST CENTER DESCRIPTIONS (omit cents)		SALARIES	OTHER	TOTAL (col. 1 + col. 2)	RECLASSIFICATION	TRIAL BALANCE (col. 3 ± col. 4)	ADJUSTMENTS	NET EXPENSES FOR ALLOCATION (col. 5 ± col. 6)
		1	2	3	4	5	6	7
70	7000	X	X				X	70
71	7100	X	X				X	71
SPECIAL PURPOSE COST CENTERS								
82	8200	X	X				X	82
83	8300	X	X				X	83
84	8400	X	X				X	84
85	8500	X	X				X	85
86		X	X				X	86
88	8800		X				X	- 0 - 88

Reporting Salary

- Include any hospital-paid employee with pre-transplant responsibility (pharmacist, dietician, social worker, QAPI person, etc.)
- Pre-transplant time should be documented through time studies
- “The costs associated with preservation technicians, transplant coordinators, and administrators, etc. must be allocated among the types of organs”

Other Direct Costs

- Organ Procurement Organization invoices for organs
- Organ recipient registration fees (UNOS/OPTN)
- Surgeons' fees for excising cadaveric organs (currently limited to \$1,250 for kidneys)
- Tissue Typing
- Facility costs and physician fees for donor and recipient evaluation and workup furnished prior to admission for transplantation
- Costs of operating room and other inpatient ancillary services (related to deceased and living donors)
- Preservation and perfusion costs
- Costs of transportation of the organ (but not the living donor)

Other Direct Costs: Physician Time for Pre-transplant Activity

- Attendance at selection team meetings
- Time reviewing patients on waitlist
- Reasonable Cost: Level 5 visit = \$ Medicare FS amount
- Portion of Medical Director salary support
- Must be able to be audited (time studies, log tracking time, time study)

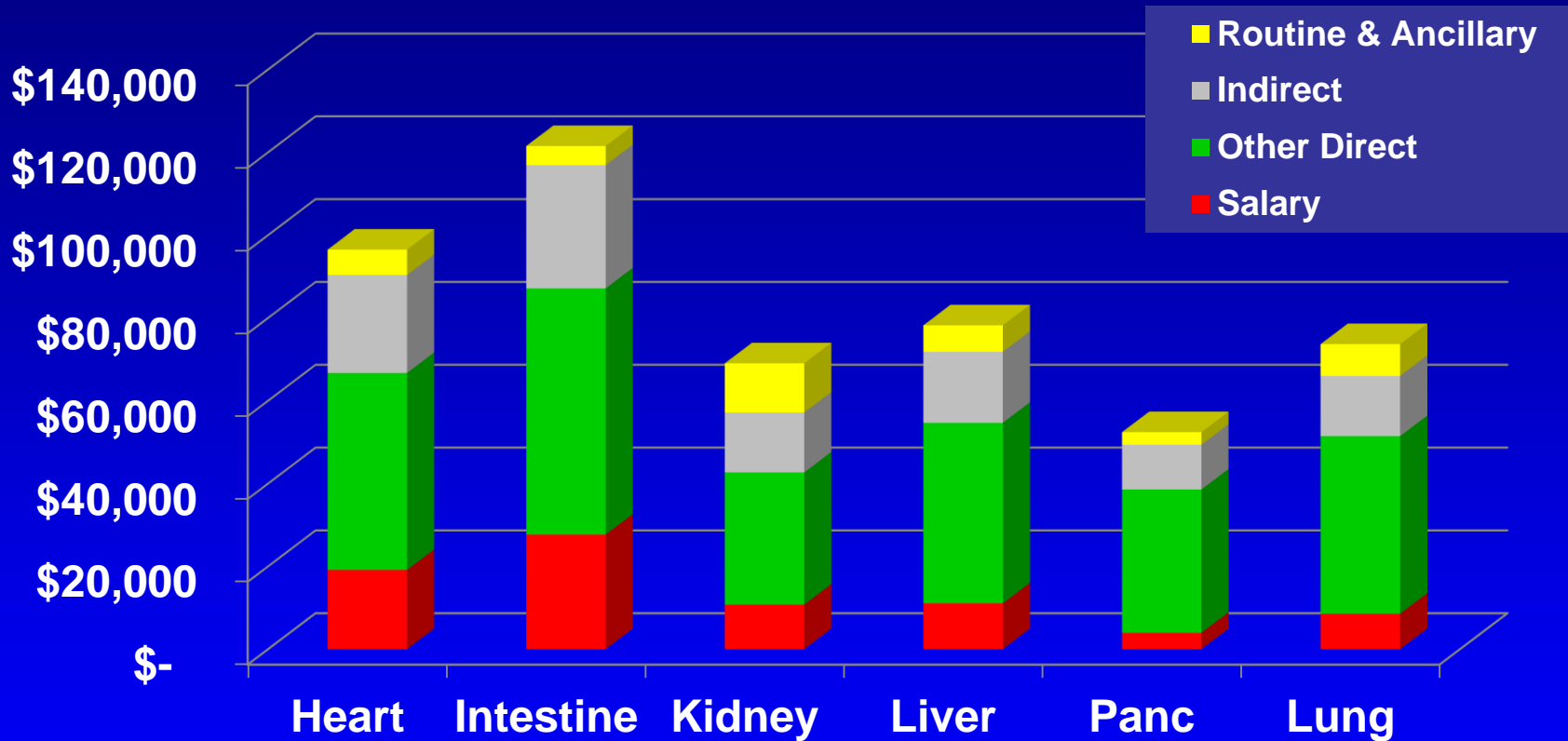
Other Direct Costs

- Tissue typing
 - Pre transplant only
 - Opportunity: Bill non-Medicare payors

Indirect Costs

- Transplant center overhead costs that are accumulated in general service cost centers and allocated through the cost report “step-down” process on **Worksheet B**
- Include staff fringe benefits based on salaries, space costs (depreciation, plant operations, utilities, etc) based on SQF, equipment depreciation, social services, general administration based on accumulated cost, data processing, and other costs as appropriate and consistent with the overall allocation process.

FY14 Costs Per Organ Reported on Worksheet A



**20% of Hospitals did not report
any salary costs**

FY2014 Cost Report D-4, Part III Worksheet for All Organ Types

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FY2014 Cost Report D-4, Part IV Worksheet for All Organ Types

PART IV - STATISTICS

		Living	Cadaveric	Revenue	
		1	2	3	
70	Organs Excised in Provider (1)	10	6		70
71	Organs Purchased from Other Transplant Hospitals (2)	2	-		71
72	Organs Purchased from Non-Transplant Hospitals	-	-		72
73	Organs Purchased from OPOs	-	20		73
74	Total (sum of lines 70 thru 73)	12	26		74
75	Organs Transplanted	10	20	50,176	75
76	Organs Sold to Other Hospitals	-	-		76
77	Organs Sold to OPOs	-	5	122,565	77
78	Organs Sold to Transplant Hospitals	2	-	38,500	78
79	Organs Sold to Military or VA Hospitals	-	-		79
80	Organs Sold Outside the U.S.	-	1		80
81	Organs Sent Outside the U.S. (no revenue received)	-	-		81
82	Organs Used for Research	-	-		82
83	Unusable/Discarded Organs	-	-		83
84	Total (sum of lines 75 through 83 should equal line 74)	12	26	211,241	84

Total Usable Organs = Black line 81 minus orange lines (12 living + 25 cadaveric = 37 in this example).

Medicare Usable Organs

(from Medicare Provider Reimbursement Manual)

- *All usable organs except:*
 - *organs sold to military hospitals (with limited exceptions)*
 - *organs sold to VA hospitals*
 - *organs sent outside US*
 - *organs transplanted into “non-Medicare beneficiaries”*
- *If Medicare has secondary payer liability for the transplant patient, then transplanted organ counted as Medicare organ.*
- *To determine if any Medicare secondary payer liability, compare private insurance payment with total Medicare payment. If Medicare payment higher, Medicare has secondary liability.*

FY2014 Cost Report D-4, Part IV Worksheet for All Organ Types

		Living	Cadaveric	Revenue	
75	Organs Transplanted	10	20	50,176	75
76	Organs Sold to Other Hospitals	-	-		76
77	Organs Sold to OPOs	-	5	122,565	77
78	Organs Sold to Transplant Hospitals	2	1	38,500	78
79	Organs Sold to Military or VA Hospitals	-	-		79
80	Organs Sold Outside the U.S.	-	1		80
81	Organs Sent Outside the U.S. (no revenue received)	-	-		81
82	Organs Used for Research	-	-		82
83	Unusable/Discarded Organs	-	-		83
84	Total (sum of lines 75 through 83 should equal line 74)	12	27	211,241	84

Counting Usable Organs

		Living	Cadaveric	Total	Revenue
	Transplants of Patients with Primary Medicare Insurance	5	10	15	
	Transplants of Patients with Secondary Medicare Insurance/Primary did not pay full organ acquisition cost	1	3	4	
	Medicare usable organs (green rows)	8	19	27	
	Total Usable Organs (black row minus orange rows)	12	26	38	211,241
	Medicare Ratio	67%	73%	71%	

Revenue: Only include revenue received from OPO for organs procured, and the portion of Medicare Secondary Payor transplant payments counted as Medicare Organs

Calculating Usable Organs and Medicare Payment

PART III - SUMMARY OF COSTS AND CHARGES

		Cost	Charges		
		Part B	Part A	Part B	
		2	3	4	
56	Routine and Ancillary from Part I		500,000		56
57	Interns and Residents (inpatient)		-		57
58	Interns and Residents (outpatient)		-		58
59	Direct Organ Acquisition (see instructions)		7,500,000		59
60	Cost of Services of Teaching Physicians (Wkst. D-5, Part II)		-		60
61	Total (sum of lines 56 thru 60)		8,000,000		61
62	Total Usable Organs (see instructions)		38		62
63	Medicare Usable Organs (see instructions)		27		63
64	Ratio of Medicare Usable Organs to Total Usable Organs (line 63 ÷ line 62)		71.1%		64
65	Medicare Cost/Charges (see instructions)		5,684,211		65
66	Revenue for Organs Sold		211,241		66
67	Subtotal (line 65 minus line 66)		5,472,970		67
68	Organs Furnished Part B	-	-	-	68
69	Net Organ Acquisition Cost and Charges (see instructions)		5,472,970		69

Common Error: Decrease Medicare Ratio/Payment

- “Unusable/Discarded Organs” not subtracted from total organs to calculate “Total Usable Organs” (Denominator too big)
- Too few Medicare organs (numerator too small)
 - Include organs procured at your hospital
 - Include Medicare secondary organs

Common Error: Not Including Evaluation Costs of All Patients (Regardless of Payor)

	Total Costs in OAC	Total Transplanted Organs	Medicare Transplants	Medicare Ratio	Medicare Payment
Does not Include Non-Medicare Patient Costs	\$ 1,000,000	50	25	50%	\$ 500,000
Does Include non-Medicare Patient Costs	\$ 2,500,000	50	25	50%	\$ 1,250,000

Capture evaluation costs for all recipients and living donors and report in “Other Direct Costs” on Worksheet A

Unallowable/Unsupported Costs from Audit Findings

- Lacked effort reporting for salaries & med director fees pre/post
- Did not use reasonable compensation equivalent limits on medical directors' compensation
- Lacked a method to accumulate allocation statistics on floor space

Conclusions

- Organ Acquisition cost reporting varies greatly across transplant programs
- Accurate reporting is critical for obtaining maximum reimbursement from both Medicare and non-Medicare payers
- Maximize reimbursement by:
 - Reporting Pre-transplant salaries
 - Capture pre-transplant MD effort
 - Reporting ALL pre-transplant patient costs regardless of payor (ensure denominator accurate)
 - Report Medicare organs properly
 - Document all costs through time studies, clear methodology for cost allocation

Resources

- CMS – National Cost Report Dataset
<http://www.cms.hhs.gov/CostReports/>
- Medicare Provider Reimbursement Manual Part 1 – Chapter 31, Organ Acquisition Payment Policy (4/1/16 – includes KPD)
<https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/downloads/R471pr1.pdf>
- HHS Office of the Inspector General - Audit Reports
<http://oig.hhs.gov/oas/oas/cms.html>
- United States Renal Data System Annual Reports
<http://www.usrds.org>