



State of Illinois
Department of Healthcare and
Family Services

Hospital Validation of Cost Information

July 6, 2011



Today's Agenda

- Introduction and Welcome
- Objectives
- Questions and Discussions

Presenters

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Objectives

- Understand how estimated costs will be used for purposes of designing the new inpatient and outpatient payment models
- Understand methodology for estimating costs
- Become familiar with the documentation package sent to you for validation
- Understand how you can help us to validate the assumptions used for estimating costs for this project

How will costs be used?

- Navigant Consulting will estimate the costs of individual Medicaid claims using the revenue code line level in the claims data and information extracted from Medicare cost reports for the same periods
- Costs for Relative Weight Calculations – Claims with dates-of-service in SFYs 2008 and 2009
- Costs for Base Rates/Conversion factors – Claims with dates-of-service in SFY 2009

How will costs be estimated?

Costs will be determined using a methodology that is very similar to Medicare's cost apportionment methodology – generally replicating the Medicare Cost Report process –

Routine Services –
average cost per patient day, by Medicare Cost Report routine cost center, multiplied by the number of covered days in the Medicaid claims data

Ancillary Services –
cost-to-charge ratio, by Medicare Cost Report ancillary cost center, multiplied by the covered charges in the Medicaid claims data

How will costs be estimated?

- Claim cost calculation example (page 5 of documentation)

Revenue Code	Revenue Code Description	Units	Charges, Net of Non-Allowed	Standard Cost Center	Standard Cost Center Description	Routine Costs		Ancillary Costs		Estimated Total Claim Cost
						Routine Cost Per Patient Day	Estimated Total Routine Cost	Ancillary Cost-to-Charge Ratio	Estimated Total Ancillary Cost	
A	B	C	D	E	F	G	H=C*G	I	J=D*I	K=H+J
<i>Routine Revenue Codes:</i>										
120	Room-Board/Semi	22	17,684.00	25	Adults and Pediatrics (General Routine Care)	556.80	12,249.54			
200	Intensive Care / ICU	2	3,340.00	26	Intensive Care Unit	1,741.09	3,482.18			
<i>Ancillary Revenue Codes:</i>										
250	Pharmacy	152	4,563.00	56	Drugs Charged to Patients			0.251737	1,148.68	
255	Drugs/Incident Radiology	2	850.69	56	Drugs Charged to Patients			0.251737	214.15	
300	Laboratory Or (Lab)	34	1,756.80	44	Laboratory			0.367350	645.36	
301	Lab/Chemistry	13	783.50	44	Laboratory			0.367350	287.82	
305	Lab/Hematology	25	749.70	44	Laboratory			0.367350	275.40	
306	Lab/Bact-Micro	1	66.90	44	Laboratory			0.367350	24.58	
307	Lab Urology	3	113.10	44	Laboratory			0.367350	41.55	
320	Dx X-Ray	2	1,314.60	41	Radiology-Diagnostic			0.229303	301.44	
390	Blood/Stor-Processing	2	583.00	47	Blood Storing, Processing, & Transfusing			0.502928	293.21	
420	Physical Therapy	5	648.00	50	Physical Therapy			0.558247	361.74	
450	Emergency Room	5	1,237.00	61	Emergency			0.410048	507.23	
460	Pulmonary Function	2	30.40	49	Respiratory Therapy			0.256623	7.80	
							\$ 15,731.72		\$ 4,108.95	\$ 19,840.68

How will costs be estimated?

- Understanding that CMS affords hospitals some latitude in how they complete the Medicare Cost Report, it is necessary to make some adjustments to the data to make it systematically consistent
 - Standardization of cost centers - Our process standardizes reported data into 9 Routine Service Cost Centers, and 35 Ancillary Service Cost Centers
 - » See page 6 of the documentation package for standardized cost centers
 - » See page 7 of the documentation package of an example of how reported cost centers have been “rolled up” to each of the standard cost centers

How will costs be estimated?

- Standard Cost Centers
(page 6)

Standard Cost Center	Standard Cost Center Description
25	Adults & Pediatrics (General Routine Care)
26	Intensive Care Unit
27	Coronary Care Unit
28	Burn Intensive Care Unit
29	Surgical Intensive Care Unit
30	Neonatal ICU
31.01	Subprovider - Psych
31.02	Subprovider - Rehab
33	Nursery
37	Operating Room
38	Recovery Room
39	Delivery Room & Labor Room
40	Anesthesiology
41	Radiology - Diagnostic
42	Radiology - Therapeutic
43	Radioisotope
44	Laboratory
44.1	Lithotripsy
45	PBP Clinical Lab Service Program Only
46	Whole Blood & Packed Red Blood Cells
47	Blood Storing, Processing, & Transfusing
48	Intravenous Therapy
49	Respiratory Therapy
50	Physical Therapy
51	Occupational Therapy
52	Speech Pathology
53	Electrocardiology
54	Electroencephalography
55	Medical Supplies Charged to Patients
56	Drugs Charged to Patients
57	Renal Dialysis
58	ASC (Non-Distinct Part)
59	Other Ancillary Cost Centers
60	Clinic
61	Emergency
62	Observation Beds
63	All Other Outpatient Cost Centers
63.5	Rural Health Clinic
63.6	Federally Qualified Health Center
64	Home Program Dialysis
65	Ambulance Services
66	Durable Medical Equipment -- Rented
67	Durable Medical Equipment -- Sold
68	Other Reimbursable
99	Excluded

How will costs be estimated?

- Provider cost center alignment example (page 7)

Illinois Medicaid
SFY 2008-2009 Hospital Estimated Costs Calculation
Cost Center Alignment (Based on Form CMS 2552 Medicare Cost Report Worksheet C, Part I)

EXAMPLE FOR ILLUSTRATIVE PURPOSES

Provider Fiscal Year Begin Date	Provider Fiscal Year End Date	Report Status	Reported Cost Center	Reported Cost Center Description	Worksheet C Part I Column 5 Total Costs	Standard Cost Center	Standard Cost Center Description	Comment
07/01/2007	06/30/2008	Reopened	25.00	ADULTS & PEDIATRICS	2,294,263	25.00	Adults and Pediatrics (General Routine Care)	
			37.00	OPERATING ROOM	694,516	37.00	Operating Room	
			40.00	ANESTHESIOLOGY	22,703	40.00	Anesthesiology	
			41.00	RADIOLOGY-DIAGNOSTIC	1,719,168	41.00	Radiology-Diagnostic	
			44.00	LABORATORY	1,578,473	44.00	Laboratory	
			50.00	PHYSICAL THERAPY	907,163	50.00	Physical Therapy	
			53.00	ELECTROCARDIOLOGY	12,968	53.00	Electrocardiology	
			55.00	MEDICAL SUPPLIES CHARGED TO PATI	269,505	55.00	Medical Supplies Charged to Patients	
			56.00	DRUGS CHARGED TO PATIENTS	682,195	56.00	Drugs Charged to Patients	
			59.00	ULTRASOUND	102,980	41.00	Radiology-Diagnostic	Adjustment Based on Cost Center Description
			60.00	CLINIC	1,104,243	60.00	Clinic	
			61.00	EMERGENCY	1,849,737	61.00	Emergency	
			62.00	OBSERVATION BEDS (NON-DISTINCT P	70,560	62.00	Observation Beds	
			63.50	RHC	337,461	63.50	Rural Health Clinic	
			65.00	AMBULANCE SERVICES	1,330,010	65.00	Ambulance Services	

07/01/2007 06/30/2008

How will costs be estimated?

- Also necessary to standardize how patient days and charges are “mapped”, based on reported revenue codes, to standardized cost centers for purposes of estimating costs
 - Statewide standardized revenue code “crosswalk” maps each revenue code to one of the Standardized Cost Centers
 - Excludes non-allowable revenue codes, professional services revenue codes and ambulance revenue codes
 - Defaults for revenue codes missing a hospital cost center:
 - Ancillary: Use provider aggregate ancillary CCR
 - Routine: Use either A&P or ICU cost per diem

How will costs be estimated?

- Revenue code crosswalks (inpatient on page 8 and outpatient on page 27)

Revenue Code	Revenue Code Description	Cost Center Code	Cost Center Description	Non-Allowed Per IL Billing Manual	SFY 2007-2009 Inpatient Claims Data					Comment
					Records	Charges	Non-Allowed Charges	Covered Charges	% of Total Charges	
0110	Room-Board /PVT	25	Adults and Pediatrics (Routine Care)		78,568	369,894,079	2,722,285	367,171,794	99.3%	
0111	MED-SUR-GYN/PVT	25	Adults and Pediatrics (Routine Care)		68,546	426,504,539	2,347,583	424,156,956	99.4%	
0112	OB/PVT	25	Adults and Pediatrics (Routine Care)		68,322	209,711,241	79,818	209,631,423	100.0%	
0113	PEDIATRIC/PVT	25	Adults and Pediatrics (Routine Care)		22,652	99,489,436	148,942	99,340,494	99.9%	
0114	PSYCHIATRIC/PVT	31.01	Subprovider - Psych		17,543	199,097,725	4,508,329	194,589,396	97.7%	
0115	HOSPICE/PVT	99	Excluded	X	7	42,365	20,856	21,509	50.8%	Non-allowed revenue code
0116	DETOX/PVT	25	Adults and Pediatrics (Routine Care)		4,297	15,575,086	6,180	15,568,906	100.0%	
0117	ONCOLOGY/PVT	25	Adults and Pediatrics (Routine Care)		4,029	33,052,214	328,863	32,723,350	99.0%	
0118	REHAB/PVT	31.02	Subprovider - Rehab		1,727	27,969,253	28,683	27,940,570	99.9%	
0119	OTHER/PVT	25	Adults and Pediatrics (Routine Care)		346	1,910,324	3,162	1,907,162	99.8%	
0120	ROOM-BOARD/SEMI	25	Adults and Pediatrics (Routine Care)		385,456	1,886,662,861	15,293,888	1,871,368,973	99.2%	
0121	MED-SUR-GYN/2BED	25	Adults and Pediatrics (Routine Care)		142,131	551,145,748	3,083,771	548,061,977	99.4%	
0122	OB/2BED	25	Adults and Pediatrics (Routine Care)		176,679	389,767,895	89,548	389,678,347	100.0%	
0123	PEDIATRIC/2BD	25	Adults and Pediatrics (Routine Care)		54,689	204,704,536	217,125	204,487,411	99.9%	
0124	PSYCHIATRIC/2BD	31.01	Subprovider - Psych		142,285	1,438,859,292	19,307,308	1,419,551,985	98.7%	
0125	HOSPICE/2BED	99	Excluded	X	41	284,490	166,630	117,860	41.4%	Non-allowed revenue code
0126	DETOX/2BED	25	Adults and Pediatrics (Routine Care)		27,554	84,103,519	303,007	83,800,512	99.6%	
0127	ONCOLOGY/2BED	25	Adults and Pediatrics (Routine Care)		4,130	18,229,093	70,682	18,158,411	99.6%	
0128	REHAB/2BED	31.02	Subprovider - Rehab		8,422	113,206,514	217,534	112,988,980	99.8%	
0129	OTHER/2BED	25	Adults and Pediatrics (Routine Care)		1,093	8,182,719	22,275	8,160,444	99.7%	
0130	ROOM-BOARD/3&4BED	25	Adults and Pediatrics (Routine Care)		4,897	9,957,897	2,780	9,955,117	100.0%	
0131	MED-SUR-GYN/3&4BED	25	Adults and Pediatrics (Routine Care)		698	1,335,409	18,583	1,316,826	98.6%	
0132	OB/3&4BED	25	Adults and Pediatrics (Routine Care)		506	751,205	-	751,205	100.0%	
0133	PEDIATRIC/3&4BED	25	Adults and Pediatrics (Routine Care)		82	160,995	-	160,995	100.0%	
0134	PSYCHIATRIC/3&4BED	31.01	Subprovider - Psych		274	683,766	4,317	679,449	99.4%	
0135	HOSPICE/3&4BED	99	Excluded	X	-	-	-	-	0.0%	Non-allowed revenue code
0136	DETOX/3&4BED	25	Adults and Pediatrics (Routine Care)		234	1,492,789	-	1,492,789	100.0%	
0137	ONCOLOGY/3&4BED	25	Adults and Pediatrics (Routine Care)		-	-	-	-	0.0%	
0138	REHAB/3&4BED	31.02	Subprovider - Rehab		426	4,554,386	13,560	4,540,826	99.7%	
0139	OTHER/3&4BED	25	Adults and Pediatrics (Routine Care)		1	1,671	-	1,671	100.0%	

Provider Validation Process

- We need your help with validating our assumptions
 - Your facility's "alignment" of reported Medicare Cost Report cost centers to the standardized cost centers
 - The "mapping" of revenue codes for your facility to those standard cost categories for purposes of aligning –
 - » Routine Medicaid patient days to appropriate average cost per patient day
 - » Ancillary Medicaid allowed charges to appropriate cost-to-charge ratio

Provider-Specific Cost Center Alignment Files

- Go to: <http://hfs.illinois.gov/hospitalratereform/comments/> and submit request for “Cost Center Alignment File”

The screenshot shows a web browser window displaying the 'Hospital Rate Reform Comments and Questions' page. The browser's address bar shows the URL <http://hfs.illinois.gov/hospitalratereform/comments/>. The page header includes the HFS logo and the text 'ILLINOIS DEPARTMENT OF Healthcare and Family Services' and 'www.hfs.illinois.gov'. A navigation menu on the left lists various links such as 'Agency Links', 'Child Support', and 'Medical Programs'. The main content area is titled 'Hospital Rate Reform Comments and Questions' and contains a paragraph of text: 'Healthcare and Family Services would like you to submit your question or comment about Hospital Rate Reform Initiative below. Your comment, with an exception for personal information or inappropriate language, will be posted on this Web site to keep interested stakeholders informed, unless you indicate otherwise.' Below this text is a note: 'Note: All submissions are subject to FOIA.' The form fields are: 'Name: John Doe', 'Organization: ABC Hospital', 'E-mail: jdoe@ABCHospital.com', and 'Comment: Please send me Cost Center Alignment file for my review'. At the bottom of the form are 'Submit' and 'Reset' buttons. The browser's status bar at the bottom shows 'Error on page.' and 'Internet'.

Hospital Rate Reform Comments and Questions

Healthcare and Family Services would like you to submit your question or comment about Hospital Rate Reform Initiative below. Your comment, with an exception for personal information or inappropriate language, will be posted on this Web site to keep interested stakeholders informed, unless you indicate otherwise.

Note: All submissions are subject to FOIA.

Name:

Organization:

E-mail:

Comment:

Provider Validation Process

- HFS will send provider-specific cost center alignment files via e-mail to requesting hospitals
- Please provide responses via the same HFS comments webpage where you requested the provider-specific cost center alignment file **no later than July 29, 2011**
- If we don't hear from you, we will assume that the assumptions we have made for your facility will require no adjustments
- We will consider your recommended changes to the data, and make adjustments to the cost estimates as appropriate

Questions and Discussions

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