



**RHC Cost Reporting- Year End Planning  
Part II  
Healthcare Business Specialists  
December 8, 2023**





## Our Team



# MEET OUR TEAM

Healthcare Business Specialists offers a variety of services designed to assist physician practices and RHCs in providing better primary medical services to underserved, rural residents by enhancing Medicare and Medicaid Reimbursement and staying compliant with Rural Health Clinic program requirements.

Through cost reporting preparation, program evaluations, RHC startups and conversions, Emergency Preparedness Compliance, CHOWs, RHC terminations, and feasibility studies, Healthcare Business Specialists is equipped to serve all your RHC needs.



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# HBS

Healthcare Business Specialists



A photograph of three business professionals sitting around a dark wooden conference table. A woman in an orange blazer and glasses is speaking to two other people, a woman in a white top and a man in a light green shirt. There are several laptops open on the table, and the scene is brightly lit from a window on the right.

# HBS Services



Healthcare Business Specialists offers a variety of services designed to assist physician practices and RHCs in providing better primary medical services to underserved, rural residents by enhancing Medicare and Medicaid Reimbursement and staying compliant with Rural Health Clinic program requirements.

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**HBS**  
Healthcare Business Specialists

## SERVICES



**RHC COST  
REPORTING**



**RHC PROGRAM  
EVALUATIONS**



**RHC STARTUPS &  
CONVERSIONS**



**EMERGENCY  
PREPAREDNESS  
COMPLIANCE**



**TENNCARE  
QUARTERLY  
REPORTING**

FOR MORE INFORMATION: 833-787-2542 | [www.ruralhealthclinic.com](http://www.ruralhealthclinic.com)

# National Rural Health Day

Celebrating the **Power of Rural!**®



THURSDAY, NOVEMBER 16, 2023

Edit

## Rural Health Clinics Information Exchange

+ Invite

Discussion

Your Items

Events

Media

Files

People



Write something...

### About

The Rural Health Clinics Information Exchange was created to distribute information related to rural health clinics as

Rural Health Clinic Information Exchange Facebook Group

<https://www.facebook.com/groups/1503414633296362>



- Information is current as of 12/8/2023.
- We will supply general information. All situations are specific so refer to specific guidance as necessary. This session is being recorded

**THE**

**DISCLAIMER**



Please type your questions in the Question box and submit them and if you raise your hand at the end of the session, we will open your line to ask a question.

Slides and Recording of this session will be posted to the Facebook Group and at [www.ruralhealthclinic.com](http://www.ruralhealthclinic.com) and on the Healthcare Business Specialists Youtube channel [https://www.youtube.com/channel/UCXW4pkwNzDXVTMFrFwMy2\\_A](https://www.youtube.com/channel/UCXW4pkwNzDXVTMFrFwMy2_A)





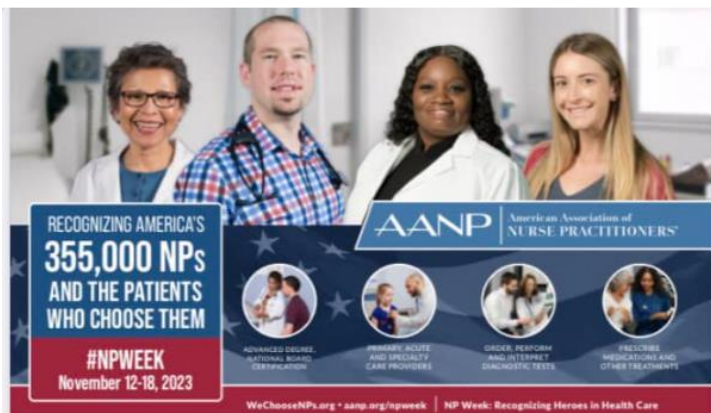
## RHC Billing Test - An RHC Billing test of principles of how to bill Medicare RHC claims

In this webinar Mark Lynn will go over a RHC Billing test, explain how to charge for services and to collect the correct co-pay and deductible amounts, explain negative reimbursement, commonly used acronyms, when to obtain a Medicare Secondary Payor questionnaire, when to complete the 838 Credit Balance Report, Category II CPT codes, proper posting of claims and Medicare contractual adjustments.

Please register for RHC Billing Test - An RHC Billing test of principles of how to bill Medicare RHC claims on Dec 13, 2023 1:00 PM EST at:

<https://attendee.gotowebinar.com/register/5402960992043480667>

# Upcoming Billing and Cost Reporting Webinars



## November 13, 2023 HBS Update

A big thank you to our Nurse Practitioners who provide excellent care to our rural and underserved communities through the 5,400 RHCs during Nurse Practitioner week. It is fitting that Nurse Practitioner week and Rural Health day (November 16, 2023) occur during the same week. We appreciate the sacrifice and dedication of nurse practitioners to develop the expertise and excellence to provide amazing healthcare to our rural and underserved residents.



<https://conta.cc/3uHSfGW>

### RHC Billing 101 – The Basics of Medicare billing for independent and provider-based RHCs with Amanda Dennison, MBA, CPC, CRHCP

Amanda Dennison, MBA, CPC, CRHCP, Senior Consultant from Blue & Co. will go over billing basics for RHCs including claim forms, incident to, definition of a visit, bill types, revenue codes, Medicare Advantage billing, and ancillary services. Medicaid billing will not be covered in this or any of the sessions. This session is sponsored by Blue & Co.

Please register for RHC Billing 101 – The Basics of Medicare billing for independent and provider-based RHCs with Amanda Dennison, MBA, CPC, CRHCP on Dec 5, 2023 1:00 PM EST at:

<https://attendee.gotowebinar.com/register/3018262107910897494>

### RHC Billing 201 Lunch and Learn with Patty Harper RHIA, CHC, Principal, InQuiseek Consulting

In RHC Billing 201 Patty Harper, RHIA, CHC, Principal with InQuiseek Consulting will pick up where RHC 101 left off with more basics of RHC billing including billing examples, negative reimbursement, deductibles, coinsurance, chronic care management, telehealth billing, incident to billing, modifiers, condition codes, occurrence codes, Medicare secondary billing, etc. Sponsored by InQuiseek Consulting.

Please register for RHC Billing 201 Lunch and Learn with Patty Harper RHIA, CHC, Principal, InQuiseek Consulting on Dec 7, 2023 1:00 PM EST at:

<https://attendee.gotowebinar.com/register/7385582766596485212>

### RHC Billing 301 – Advanced Subjects - Charles James, Jr., North American HMS

In this webinar Charles James from North American Healthcare Management Services will go over some advanced topics with billing examples, preventive services, mental health services, Telehealth, Chronic Care Management, etc. Sponsored by North American Healthcare Management Services.

Please register for RHC Billing 301 – Advanced Subjects - Charles James, Jr., North American HMS on Dec 12, 2023 1:00 PM EST at:

<https://attendee.gotowebinar.com/register/6827726850548732761>

<http://www.ruralhealthclinic.com/rhc-webinars>

# Cost Reporting Resources at <https://www.ruralhealthclinic.com/rhc-cost-reporting>

## RHC COST REPORTING

Healthcare Business Specialists, LLC prepares approximately 280 RHC cost reports annually for independent RHCs. Mark R. Lynn, CPA, CRHCP, CCRS has over 35 years' experience working with RHCs and Dani Gilbert, CPA, CRHCP is a Certified Rural Health Professional accredited by the NARHC. Our team also includes Page Chambers, CIA, CRHCP, and Trent Jackson, CCRS goal is to prepare your Medicare cost reports as accurately and timely as possible within the constraints of tight independent RHC budgets. The following is a link that will open our RHC Cost Reporting brochure if you are interested in more information related to cost reporting services for RHCs.

Medicare cost reports for independent RHCs have become much more important since the passage of the Consolidated Appropriations Act of 2021 which dramatically increased the Medicare upper payment limits for rural health clinics. These large increases in the upper payment limits allow RHCs that properly prepare the Medicare Cost Report to obtain much more Medicare reimbursement; however, it could result in large paybacks to Medicare if interim rates are higher than the actual cost per visit. Interim cost reports are an effective way to monitor the actual cost per visit and plan for ways to maximize your Medicare reimbursement within Medicare cost reporting rules.

If you would like Healthcare Business Specialists to help prepare your cost reports, please email Mark Lynn or Dani Gilbert at [ruralhealthclinic@outlook.com](mailto:ruralhealthclinic@outlook.com) and we will put together a proposal for this service.

September 4, 2023: We have developed an RHC Cost Report Plan and Todo List that will help you to understand what you need to know to file a timely, accurate, and optimized cost report.

- [RHC Medicare Cost Report Plan for 2024 in PDF format](#)
- [RHC Medicare Cost Report Plan for 2024 in Word format \(editable\)](#)
- [RHC Medicare Todo List for 2024 in PDF format](#)
- [RHC Medicare Todo List for 2024 in Word format](#)
- [Updated RHC Medicare Cost Reporting Instructions from CMS \(July, 2022\)](#)
- [HBS RHC Cost Report Client Electronic File to enter data for 12 31 2023 cost reports \(Excel\)](#)

Our Cost Report Checklist for 2022 cost reports and other cost report resources can be found as follows:

- [RHC Medicare Cost Report Checklist with Forms for 2022 \(23-page PDF\)](#)
- [RHC Medicare Cost Report Checklist Only \(3-page PDF\)](#)
- [RHC Medicare Visit Count Sheet for 2022 \(7-page PDF\)](#)
- [Healthcare Business Specialists Brochure for Cost Report Services](#)
- [MCRReF User Manual \(45 page PDF\)](#)
- [MCRReF FAQs \(5 page PDF\)](#)
- [Provider Reimbursement Manuals CMS Listing by Chapter](#)
- [Cost Report Waiver of Productivity Screen Worksheet from WPS \(Excel Spreadsheet\)](#)
- [Sample Chart of Accounts for a Rural Health Clinic](#)

We have prepared a webinar to help gather the information to prepare the cost report which will occur on January 19, 2023 at 11:00 PM Eastern time. Please register below to attend the webinar. The session will be recorded for later viewing if the time.

Part I of this webinar can be viewed here

<https://www.youtube.com/watch?v=nLPGh-HIAgg>





RHC Cost  
Reporting Year-  
end Planning

Higher Caps  
require more  
planning to  
optimize RHC rates  
and avoid large  
paybacks.



**NO  
SURPRISES**

# National Statutory Payment Limits for RHCs

<u>Begin Date</u>	<u>End Date</u>	<u>Medicare Upper Limit</u>
1/1/2020	12/31/2020	\$ 86.31
1/1/2021	3/31/2021	\$ 87.52
4/1/2021	12/31/2021	\$ 100.00
1/1/2022	12/31/2022	\$ 113.00
1/1/2023	12/31/2023	\$ 126.00
1/1/2024	12/31/2024	\$ 139.00
1/1/2025	12/31/2025	\$ 152.00
1/1/2026	12/31/2026	\$ 165.00
1/1/2027	12/31/2027	\$ 178.00
1/1/2028	12/31/2028	\$ 190.00
1/1/2029	12/31/2029	MEI

MEI = Medicare Economic Index

Laboratory, technical components, CCM, telehealth (except mental health starting in 2022) and hospital services are reimbursed outside the rate.

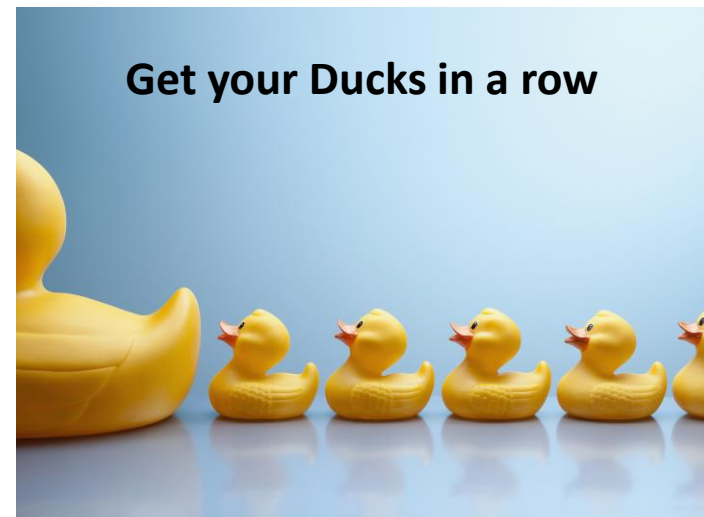
December requires planning and action to maximize reimbursement and minimize taxes

**Advice after injury is like medicine after death.**

**-Danish Proverb**


You should have discussions in December with the following:

1. Your Tax Accountant
2. Your Cost Report Preparer
3. Your PRF and Grant funds advisor.





RHCs need a Plan and a todo or task list for Cost Reporting throughout the year.



Kanban is  
Japanese for  
todo



PLAN

1. Modgebonk –  
2. Old English for  
3. Plan  
4.  
5.

# Sample RHC Cost Report Plan and ToDo List



## RHC Cost Reporting Plan

**12/31/2024**

Objective: The objective of this plan is to facilitate the completion of the Rural Health Clinic cost report that results in:

1. The Medicare Cost Report filed timely, accurately, and optimizing Medicare reimbursement while following all Medicare guidance regarding the allowability of costs and accounting for the number of patient encounters.
2. The Medicaid Cost Report filed timely, accurately, and optimizing Medicaid reimbursement while following all Medicaid guidance regarding the allowability of costs and accounting for the number of patient encounters.
3. The Form 838 Credit balance reports will be submitted timely each quarter to avoid Medicare stopping RHC payments.

Plan: The RHC will do the following during the year to achieve the objectives mentioned above:

1. Establish an accrual-based accounting system that captures information as required in the cost report including the following:
  - A. Salaries of physicians, NPs, PAs, RNs, LPNs, MAs, CPS, CSWs, Lab personnel, Radiology personnel, Chronic Care Management personnel, Office personnel, and other categories of employees if applicable.
  - B. Accounts to record the expenses of Influenza, Pneumococcal, and Covid vaccines in the general ledger.
  - C. Accounts to track the expenditures not included in the computation of the RHC All-Inclusive rate including:
    - a. Telehealth (exception Mental Health Telehealth)
    - b. Laboratory services including the six required lab tests.
    - c. Hospital services
    - d. Any time that is non-RHC such as a spa and Botox that is not covered by Medicare, sports physicals, weight-loss services including semaglutide and similar type products.
    - e. Technical components of radiology services including EKGs.

<http://www.ruralhealthclinic.com/rhc-cost-reporting>

# Cost Report Todo For 12/31/2023

## December 2023

Prepare an interim cost report to determine your cost per visit as compared to the interim payments. We need visits, payroll, and expense statement.

If the clinic is a corporation, or S-Corp and plans on paying a bonus for owners determine the bonus amount and document in a meeting for payment within 75 days of year-end.

Finalize writing off any bad debts and completing the Excel spreadsheet before 12/31/2023.

Review the clinic's cash position and pay as many bills as possible to eliminate the need to accrue a lot of expenses.

## January 2024

Review checks paid and payroll paid in January 2024 and accrue expenses appropriately and reverse any prior year accruals.

Prepare and submit the Form 838 Credit Balance report for quarter ending 12/31/2023 for Medicare.

Begin accumulating information to submit for the cost report including provider time studies which should be done at least quarterly.

## March 2024

Liquidate any accrual to the owner of the RHC by March 15<sup>th</sup>

Submit your cost report information to your cost report preparer by March 31, 2024, including a detailed general ledger and summary of payment to all outside contracts and what services were procured.





The Myth of Control – Financial Projections are just estimates of future events. There are many uncontrollable variables.

Visits could increase/decrease

Pandemics

Providers could leave/reduce hours/pass away

Inflation/salaries could increase

Rural Health Access RHC				
Allowable MGMA compensation per State Medicaid Comp rules				
For the period 1/1/2023 to 10/31/2023				
	Physician	PA	NPs	Total
Office visits	2,500	-	4,200	6,700
Hospital	-	-	-	-
Preventive	-	-	-	-
Telehealth	-	-	-	-
Totals	<u>2,500</u>	<u>-</u>	<u>4,200</u>	<u>6,700</u>
Projected allowable compensation per visit	\$ 77.00	\$ -	\$ 52.00	
Allowable MGMA Visit compensation	\$ 192,500	\$ -	\$ 218,400	\$ 410,900
Allowable Administrative time (Salary.com)	\$ -	\$ -	\$ 26,250	\$ 26,250
Medical Director time (\$150 per hour)	31,200	-	-	\$ 31,200
Allowable estimate	<u>223,700</u>	<u>-</u>	<u>244,650</u>	<u>\$ 468,350</u>
Compensation paid per payroll records	175,000	-	177,846	<u>352,846</u>
Add one month of payroll	<u>15,909</u>	<u>-</u>	<u>17,785</u>	<u>33,694</u>
Subtotal - Paid compensation during year	<u>190,909</u>	<u>-</u>	<u>195,631</u>	<u>386,540</u>
Additional Allowable Compensation	<u>32,791</u>	<u>-</u>	<u>49,019</u>	<u>81,810</u>

# Interim Projected Cost Per Visit

Rural Health Access RHC		
Projected Cost Per Visit for State Medicaid Cost Report		
For the period 1/1/2023 to 10/31/2023		
	Actual	Projected
	10 Month	Full Year
Total Expenses per Income Statement	750,000	900,000
Minus		
Non allowable expenses	(2,500)	(3,000)
Laboratory	(15,450)	(18,540)
Car and Truck and entertainment	(6,200)	(7,440)
Projected additional expense	<u>(24,150)</u>	<u>(28,980)</u>
Projected allowable expense	725,850	871,020
Projected Visits for the time period	5,583	6,700
Projected allowable cost per visit	<u>\$ 130.00</u>	<u>\$ 130.00</u>
Target Rate	\$ 145.00	\$ 145.00
Variance	<u>\$ 15.00</u>	<u>\$ 15.00</u>
Additional Allowable Expense	<u>83,733</u>	<u>100,480</u>
Allowable Additional Expenses		
		-
Depreciation		6,000
Accrued Cost Reporting Fees		4,000
Nurse Practitioner Bonus pool		49,019
Physician Bonus pool		32,791
Total		<u>91,810</u>

Rural Health Access RHC

Corporate Minutes

Fiscal Year End December 31, 2023

On December 7, 2023, the Professional Advisory Group of the Rural Health Clinic of Rural Health Access RHC met to discuss the progress made at the clinic in 2023 as well as to set new goals for 2024 regarding patient volume and providing quality patient care along with any new services needed in the area as well as the impact of new RHC rules on the clinic. The non-owner Nurse Practitioners are eligible for a bonus pool of \$17,653 which will be determined by the owners. That bonus pool will be paid within 90 days of year-end.

Our non-owner physician is eligible for an \$18,566 that will be paid within 90 days of year-end.





# Things that must be done in December

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- Write off bad debts if you are claiming bad debts and have a 12/31/2023 fiscal year end.
- Spend or use for lost revenues any unused PRF Funds with a 12/31/2023 deadline for use of the funds. **Note: Lost revenues will not count as an allowable expense on the cost report and using the funds to pay expenses may help you receive a higher settlement and rate from Medicare.**
- Cash accounts should be reviewed with your tax accountant and as much as possible bonused out to owners in corporations and S-Corps.
- The deadline to make contributions for an employer-sponsored 401(k) plan for 2022 is **December 31**
- **Other retirement plans will differ so check with your tax CPA.**
- **You may want to adjust your rent if it is a related party transaction – Discuss with your tax CPA.**



# Accrual of Expenses

- Medicare cost reports are filed using accrual basis accounting which means costs are recorded when incurred and not when actually paid.
  - Accruals of compensation to owners and certain self funded insurance programs must be liquidated within 75 days of year-end.
  - Accruals to non-owners must be liquidated within 12 months of the fiscal year end.
  - Some Examples:
    - Expenses incurred in 2023 and not paid until 2024 (look at your January and February check register for December 2023 expenses)
    - Pension plan contributions for 2023 not paid until 2024
    - Payroll due to employees not paid in 2023 and paid in 2024.
    - Accrued Vacation and Sick pay for employees.
- <https://www.law.cornell.edu/cfr/text/42/413.100>

**Some State Medicaid plans require accruals to be liquidated within 90 days of year end. It is a good policy to liquidate all accruals within 90 days.**

# COMPENSATION

A hand in a blue suit jacket and tie points upwards towards a large, glowing blue hexagonal icon that contains the word "COMPENSATION" in white, bold, sans-serif capital letters. The background is a blurred office setting with blue lighting and horizontal lines.

Allowable Owner Compensation

A hand in a blue suit jacket and tie points towards a cluster of seven glowing blue hexagonal icons. The icons represent various business concepts: a circular arrow (refresh), two interlocking gears (mechanics/process), a magnifying glass (search), a globe (international/global), a cloud (cloud computing), a dollar sign (\$) (finance), and a group of three people (team/organization). The background is a blurred office setting with blue lighting and horizontal lines.

# Medicare Allowable Owner Compensation depends on the type of Entity

- Owner compensation allowances for the different entity types:
  - Sole proprietor - Schedule C = value of services
  - LLC (single member) - Schedule C = value of services
  - LLC (multiple member) - K-1 from Form 1165 = value of services
  - Corporation – K-1 from Form 1120 = **Actual compensation paid or accrued and paid within 75 days of FYE.**
  - S-Corporation – “Under Federal income tax law, certain corporations can elect to be treated for tax purposes as a partnership. This election, however, has no effect on reimbursement under the Medicare program, and an owner of a Subchapter S corporation is not considered a partner for purposes of this principle.”
  - Some states do not recognize these Medicare rules for allowable compensation, so consult with someone who knows your state Medicaid rules on allowable owner compensation.



## Summary of Owner Compensation Treatment for Medicare Cost Reports

Todo: Let your cost report preparer know how your business has been structured for legal and tax purposes.

Description	Value of Services	Comp Must be Paid	75 Day Accrual
Sole Proprietor	X		
LLC (Single or Multiple Member)	X		
Corporation		X	X
Sub-S Corporation		X	X

**Note: An LLC can elect to be taxed as a S-Corp which places the value of services use in question. It is a grey area. We are working to get clarification on this status.**

Medicare rules related to Owner Compensation may be found here:

<https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2017Downloads/R474PR1.pdf>

## 907. COMPENSATION-SOLE PROPRIETORSHIPS AND PARTNERSHIPS

- A. General.--The allowance of compensation for sole proprietors and **partners is the value of the services rendered by the owner. Such an amount may or may not be represented as actual payments made to the owner. There is no direct relationship between the compensation allowance of the owner and the amount of operating profit (or loss) of the facility.** In determining the allowance, the contractor is responding to a claim for the value of the services of the owner. That is, the institution will include in its statement of reimbursable cost an allowance for the value of the owner's services and the contractor evaluates the reasonableness of this claim by applying the criteria in this chapter.
- B. Actual Payments Made.--Where a provider has claimed as some other cost (for example, see §906.1) an amount paid to a sole proprietor or partner, such amount is combined with the allowance claimed by the provider for the owner's services. This total is then used for determining the reasonableness of the compensation allowance claimed.

**Physician Owner Compensation Reasonable Cost Guidelines for Rural Health Clinics  
By Census Bureau Regions and Divisions  
Per FTE**

Region	Division		2009		2010		2011		2012		2013		2014	
		Factor*: →	0.017		0.015		0.020		0.020		0.019		0.019	
		* Source: §905.6.	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max	Min	Max
1	1	New England	\$275,890	\$306,762	\$280,029	\$311,364	\$285,629	\$317,591	\$291,342	\$323,943	\$296,877	\$330,098	\$302,518	\$336,370
	2	Middle Atlantic	\$213,095	\$223,657	\$216,292	\$227,012	\$220,618	\$231,552	\$225,030	\$236,183	\$229,306	\$240,670	\$233,663	\$245,243
	<b>Subtotal - Region 1: Northeast</b>		\$252,636	\$264,593	\$256,425	\$268,562	\$261,554	\$273,933	\$266,785	\$279,412	\$271,854	\$284,721	\$277,019	\$290,131
2	3	East North Central	\$251,684	\$276,027	\$255,459	\$280,167	\$260,569	\$285,771	\$265,780	\$291,486	\$270,830	\$297,024	\$275,976	\$302,667
	4	West North Central	\$266,258	\$285,384	\$270,252	\$289,665	\$275,657	\$295,458	\$281,170	\$301,367	\$286,512	\$307,093	\$291,956	\$312,928
	<b>Subtotal - Region 2: Midwest</b>		\$260,249	\$281,442	\$264,153	\$285,663	\$269,436	\$291,376	\$274,825	\$297,204	\$280,047	\$302,851	\$285,368	\$308,605
3	5	South Atlantic	\$218,079	\$233,894	\$221,350	\$237,402	\$225,777	\$242,150	\$230,293	\$246,993	\$234,669	\$251,686	\$239,128	\$256,468
	6	East South Central	\$250,876	\$268,628	\$254,640	\$272,658	\$259,732	\$278,111	\$264,927	\$283,673	\$269,961	\$289,063	\$275,090	\$294,555
	7	West South Central	\$233,620	\$244,568	\$237,124	\$248,236	\$241,867	\$253,201	\$246,704	\$258,265	\$251,391	\$263,172	\$256,167	\$268,172
<b>Subtotal - Region 3: South</b>		\$236,132	\$245,690	\$239,674	\$249,375	\$244,468	\$254,363	\$249,357	\$259,450	\$254,095	\$264,380	\$258,923	\$269,403	
4	8	Mountain	\$261,423	\$298,011	\$265,344	\$302,481	\$270,651	\$308,530	\$276,064	\$314,701	\$281,309	\$320,680	\$286,654	\$326,773
	9	Pacific	\$275,667	\$301,697	\$279,802	\$306,223	\$285,398	\$312,347	\$291,106	\$318,594	\$296,637	\$324,647	\$302,273	\$330,815
	<b>Subtotal - Region 4: West</b>		\$270,217	\$300,186	\$274,270	\$304,689	\$279,756	\$310,782	\$285,351	\$316,998	\$290,773	\$323,021	\$296,298	\$329,158

**Census Bureau Divisions:**

New England Division: Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont

Middle Atlantic Division: New Jersey, New York, Pennsylvania

East North Central Division: Illinois, Indiana, Michigan, Ohio, Wisconsin

West North Central Division: Iowa, Kansas, Minnesota, Missouri, Nebraska, North Dakota, South Dakota

South Atlantic Division: Delaware, District of Columbia, Florida, Georgia, Maryland, North Carolina, South Carolina, Virginia, West Virginia

East South Central Division: Alabama, Kentucky, Mississippi, Tennessee

West South Central Division: Arkansas, Louisiana, Oklahoma, Texas

Mountain Division: Arizona, Colorado, Idaho, Montana, Nevada, New Mexico, Utah, Wyoming

Pacific Division: Alaska, California, Hawaii, Oregon, Washington

NP and PA Owner Compensation Allowances are not published. MGMA Surveys or Medicaid Audit Allowances will be a good guideline.

DESCRIPTION	AMOUNT
Owner FTE	1.40
Compensation per FTE (see inflation of benchmarking report)	\$163,208
Current year value of services	<b>\$228,492</b>
Amount Paid to Owners	<b>\$223,210</b>
Adjustment to compensation	<b>\$5,282</b>

What Value  
of Services  
looks like

- This cost report adjustment does not have to be paid or is it taxed. It is simply an adjustment on the cost report.





## Related Party Transactions

# Related Party Transactions

## Major Points

- Transactions between family members or entities with common ownership may be considered related parties.
- Because the Medicare caps have increased dramatically related party transactions may now negatively affect the Medicare settlement.
- Identify related parties and reduce expense to actual expense.
- Do not try to create a large profit as that will cause otherwise allowable expense to be disallowed and will lower your cost per visit.
- Some cost report issues are failure to identify all related party transactions and not applying the Section 1010 exception when applicable.



# Related Party Regulations per the Oregon CRF

- Current through Register Vol. 61, No. 4, April 1, 2022
- (1) **A "related party" is an individual or organization that is associated or affiliated with, or has control of, or is controlled by the Federally Qualified Health Center (FQHC) or Rural Health Clinic (RHC) furnishing the services, facilities, or supplies:(a) "Common ownership" exists if an individual or individuals possess significant ownership or equity in the provider and the institution or organization serving the provider;**
- (b) "Control" exists if an individual or an organization has the power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution.
- (2) The Division allows costs applicable to services, facilities, and supplies furnished to the FQHC or RHC by a related party at the lower of cost, excluding profits and markups to the related party, or charge to the clinic. Such costs are allowable in accordance with 42 CFR [413.17](#), to the extent that they:(a) Relate to Title XIX and Title XXI client care;
- (b) Are reasonable, ordinary, and necessary; and
- (c) Are not in excess of those costs incurred by a prudent cost-conscious buyer.
- (3) **The intent is to treat the costs incurred by the related party as if they were incurred by the FQHC/RHC itself.**
- (4) Clinics must disclose a related party who is separately enrolled as a provider with the Division and furnish the provider's NPI and associated taxonomy code(s).
- (5) Documentation of costs to related parties shall be made available at the time of an audit or as requested by the Division. If documentation is not available, such payments to or for the benefit of the related organization will be non-allowable costs.
- (6) **The Division will allow rental expense paid to related individuals or organizations for facilities or equipment to the extent the rental does not exceed the related organization's cost of owning (e.g., depreciation, interest on a mortgage) or leasing the assets, computed in accordance with the provisions of the FQHC and RHC Administrative Rules.**
- (7) If all of these conditions are not met, none of the costs of the related party transaction can be reported as reimbursable costs on the FQHC or RHC's cost statement report.

<https://www.law.cornell.edu/regulations/oregon/OAR-410-147-0540>



## Related Party Transactions will be more impactful in the future.

- Provide the actual cost of the transaction. For example, related party rent would produce mortgage interest, repairs, insurance, property taxes and depreciation. Your cost report preparer will need a Schedule E from the tax return (1 owner) or the rental company's tax return (2+ owners).
- Identify employees who are related (family members) to the owners and the compensation paid to these related family members.



# Example of Related Party Rent Impact

**Assumptions**

Rent	<b>200,000</b>
Actual Cost	<u>50,000</u>
Disallowed	<u>150,000</u>

**Revised Rent Assumptions**

Rent	<b>50,000</b>
Actual Cost	<u>50,000</u>
Disallowed	<u>0</u>

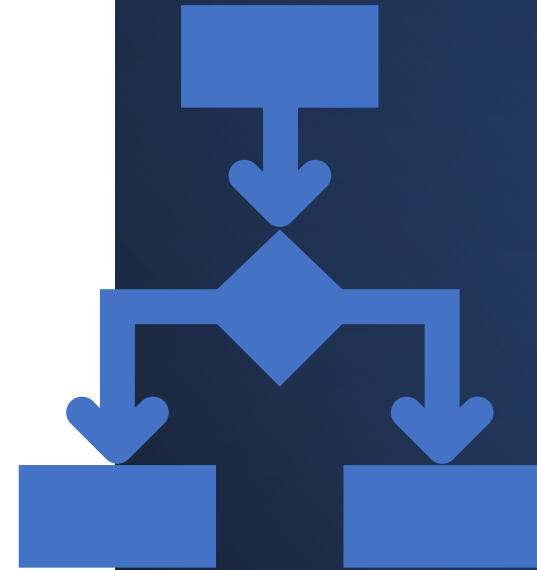
			Revised Rent
Description	2021	2022	2022
Total Expenses	1,500,000	1,500,000	1,500,000
Related Party Costs Disallowed	150,000	150,000	-
Allowable Expenses	1,350,000	1,350,000	1,500,000
Total Cost Report Visits	12,500	12,500	12,500
Cost Per Visit	108	108	120
Medicare Cap	100	113	113
Medicare Visits	3,000	3,000	3,000
Reimbursement Impact	-	(15,000)	-

Revised Rent Assumption: Instead of rent, allowable compensation is paid to the owners of the building and their compensation is increased on the cost report.

Talk to your Tax CPA: Rental income is not subject to FICA taxes; however, FICA taxes are only paid on the first \$160,200 of earnings in 2023 (no limit on Medicare portion).

# 1010 Exception

- **(d) Exception.**
- **(1)** An exception is provided to this general [principle](#) if the provider demonstrates by convincing evidence to the satisfaction of the contractor, that—
- **(i)** The supplying organization is a bona fide separate organization;
- **(ii)** A substantial part of its business activity of the type carried on with the provider is transacted with others than the provider and organizations related to the supplier by common ownership or control and there is an open, competitive market for the type of services, facilities, or supplies furnished by the organization;
- **(iii)** The services, facilities, or supplies are those that commonly are obtained by institutions such as the provider from other organizations and are not a basic element of [patient](#) care ordinarily furnished directly to [patients](#) by such institutions; and
- **(iv)** The charge to the provider is in line with the charge for such services, facilities, or supplies in the open market and no more than the charge made under comparable circumstances to others by the organization for such services, facilities, or supplies.
- **(2)** In such cases, the charge by the supplier to the provider for such services, facilities, or supplies is allowable as [cost](#).





## How to count visits or encounters on an RHC Cost Report



Counting cost report visits is more of an Art than a science

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What do we need to count visits?

A CPT Frequency Report by provider for the time period of the cost report. We need visits by Physicians, NPs, PAs and mental health providers



# What is needed to count Visits

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- We need a CPT Frequency report broken down by provider only (not payor). If you have a lot of physicians and only one NP, you can run a CPT frequency report for the practice and then one for the NP or vice versa (you have several NPs and only one physician) We do need physicians, NPs, PAs, LCSWs, and CPs broken out for cost reporting purposes.



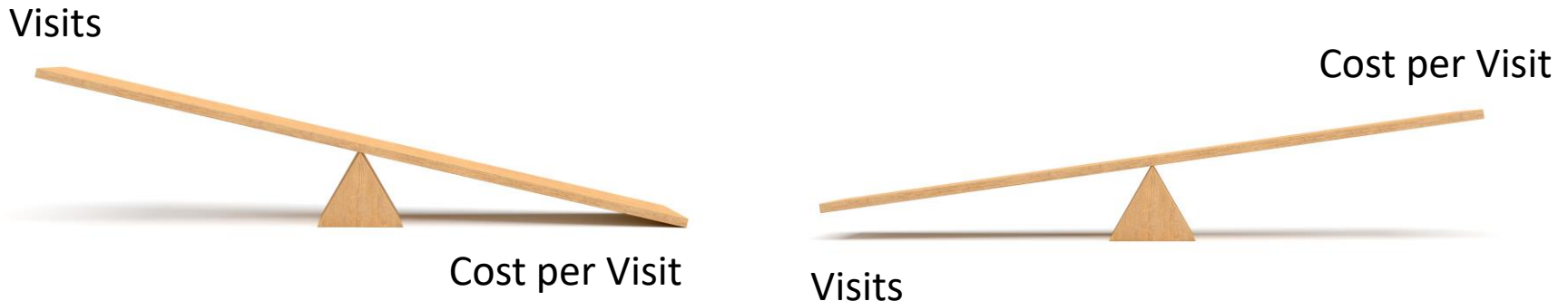


Question – Why is a CPT report by Payor not the best way to count visits for the RHC AIR calculation?

Answer – Because many patients have a primary and secondary insurance and these reports tend to overstate the number of visits which hurts your cost per visit.

# Cost Per visit is computed as follows?

Total Allowable expenses divided by Total Visits (face to face encounters with Physicians, NPs, PAs, etc). Total visits includes all payor types. The best source of this information is a CPT Frequency report by provider.



**What happens if you overcount Visits?**

# Why are Visits so Important?

Visits are important because  
They are the denominator in  
The cost per visit calculation.

Do not count 99211 visits,  
Injections, lab procedures,  
hospital visits, non-rhc visits



# Billing and Coding Crosswalk Cheat Sheet

Service	Example Coding CPT	Example Billing HCPCS	Payment	Cost Report Visit?	Allowable Medicare Cost?	Notes
Medicaid Visit (in some states)	99213 (QVL)	T1015	AIR	Yes	Yes	Only count 1 visit on your RHC Cost Report
Telehealth Visit	99213	G2025	\$97.24	No	No	Medicaid may pay AIR
Mental Telehealth Visit (starting in 2022)	90834	90834 CG 95	AIR	Yes	Yes	Keep records on the costs of two different types of telehealth visits
Virtual Communication Services (G0071)	99421	G0071	\$23.88	No	No	Exclude cost on cost report.
Chronic Care Management	99484	G0511	79.25	No	No	Exclude cost on cost report.

Note: The CPT Code column is not an all-inclusive list of CPT codes.



# Health Care Provider FTEs

Cost report requires separation of provider visits, time, (and cost):

Physician  
Physician Assistant  
Nurse Practitioner  
Visiting Nurse  
Clinical Psychologist  
Clinical Social Worker





## Covid-19 Vaccine Changes in 2022

# RSV Vaccine does not go on the cost report

- If you attend the Virtual NARHC office hours, you will hear a lot of questions regarding Medicare Part D and the new RSV vaccine. Here are some resources that will help you understand the complicated process of getting paid for these vaccines. The Inflation Reduction Act made adult vaccines recommended by the Advisory Committee on Immunization Practices (ACIP) available at no cost for people with Medicare prescription drug coverage.
- <https://fortune.com/.../does-medicare-cover-vaccines.../>
- <https://www.cms.gov/.../vaccines-part-d-factsheet...>
- <https://www.transactrx.com/medicare-part-d-billing>

**TransactRx**  
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**Part D Vaccine Manager**

**Simply the Best Way for Providers to Bill for Part D Covered Vaccines!**

**Complete Claims and Payment Management Solution**

The TransactRx Part D Vaccine Manager provides all the features necessary to manage the reimbursements for Medicare Part D covered vaccines.

- Check patient eligibility and determine the appropriate Part D Plan to bill
- The system displays the amount of co-payment the patient needs to make
- With one click the claim is submitted in real time to the Part D Plan
- Acceptance of the claim and amount to paid to provider is displayed in real time
- Check on the status of payments for outstanding claims
- Payments are made to providers twice a month via check or ACH
- Complete reporting is available to track and manage claims and payments

For additional information about the TransactRx Part D Vaccine Manager solution and other services offered by TransactRx, visit our website at [www.TransactRx.com](http://www.TransactRx.com) or call 800.971.5890 to speak with a representative.

**TransactRx Part D Provider Network**

By signing one contract with TransactRx a healthcare provider immediately is enabled to submit claims for any Medicare Part D covered vaccine to all TransactRx contracted Medicare Part D plans.

- Simple online enrollment process
- Credentialing and acceptance into network in less than 48 hours.
- TransactRx is contracted with Medicare Part D plans that represent over 80% of all Medicare Part D covered lines.
- Includes all Part D covered vaccines
- Favorable negotiated reimbursement rates for all Part D covered vaccines.

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# MABs will be reimbursed through the cost report AIR (incident to) starting January 1, 2024

## COVID-19 Monoclonal Antibody Therapies & Vaccines

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For [COVID-19 monoclonal antibodies](#) used for post-exposure prophylaxis or treatment of COVID-19, we'll continue to pay at 100% of reasonable cost through the cost report through the end of the CY in which the Emergency Use Authorization (EUA) declaration for COVID-19 drugs and biologicals ends. The EUA declaration is distinct from, and not dependent on, the COVID-19 public health emergency (PHE).

Starting January 1 of the year after the EUA declaration ends:

- We'll pay you for monoclonal antibody products used for **post-exposure prophylaxis or treatment** of COVID-19 in the same way we pay for other Part B drugs and biological products through the RHC AIR
- We'll continue to pay for covered monoclonal antibody products and their administration when used as **pre-exposure prophylaxis for prevention** of COVID-19 at 100% of reasonable cost through the cost report

An RHC can't bill a visit when the practitioner only sees a patient to administer a vaccine. Instead, the RHC includes vaccines and their administration on the annual cost report, and we reimburse them at cost settlement. Patients pay no Part B deductibles and coinsurance for these services.

<https://www.cms.gov/files/document/mln006398-information-rural-health-clinics.pdf>



# Covid-19 Vaccines and MABs by Medicare Advantage Plan Patients are no longer reimbursed on the Cost Report

Year	Pnu	Flu	Covid	
			Vaccine	MABs
2021	Original	Original	Original & Advantage	Original & Advantage
2022	Original	Original	Original	Original

No changes to in 2023 No changes to in 2023

- **COVID-19 Vaccines in RHCs**

COVID-19 vaccines and their administration will be paid the same way influenza and pneumococcal vaccines and their administration are paid in RHCs. Influenza and pneumococcal vaccines and their administration are paid at 100 percent of reasonable cost through the cost report. The beneficiary coinsurance and deductible are waived. For patients enrolled in Medicare Advantage, COVID-19 vaccines and their administration costs, as well as, monoclonal antibody products and their administration costs should be included on the RHC cost report. For additional information, please see <https://www.cms.gov/covidvax>.

<https://www.cms.gov/covidvax>

# Covid Vaccine & Monoclonal Injections/shots

- Both are currently reported on the cost report like flu and pneu and reimbursed at cost. Keep a log. In 2024 MABs are reimbursed as a part of the AIR (incident to).
- Keep up with Medicare Advantage/Replacement Covid shots separately and do not include in the Medicare line on the cost report.
- Keep up with your cost of supplies and direct expenses in a separate general ledger account.
- Keep good time records for administration time.
- <https://www.cms.gov/medicare/covid-19/monoclonal-antibody-covid-19-infusion?fbclid=IwAR0b56IOR4fYBDh53ex2Ifrg3OC9dd1hHCm7e6aibbQNWt-D1YaLAy-VWF8>

# Influenza, Covid and Pneumococcal Shot Logs

Patient Name	MBI Number	Date of Service
John Smith	411992345A	11/30/2022
Steve Jones	234123903A	12/15/2022
Ashley Taylor	903214934A	12/31/2022

Medicare Influenza and Medicare Pneumococcal shots should be maintained on separate logs. Pnumo pays around \$250 per shot and influenza is \$60 or so.



### Medicare Influenza Log

RHC Name	
CCN/PTAN Provider Number	
Fiscal Year End	

#	Patient Name	MBI Number	Date
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Page Number	Page Total	Total Medicare Flu Shots	
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### Medicare Pneumococcal Log

RHC Name	
CCN/PTAN Provider Number	
Fiscal Year End	

#	Patient Name	MBI Number	Date
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
11			
12			
13			
14			
15			
16			
17			
18			
19			
20			

Page Number		Page Total		Total Medicare Pnu Shots	
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### Medicare COVID-19 Log

RHC Name	
CCN/PTAN Provider Number	
Fiscal Year End	

#	Patient Name	MBI Number	Date
1			
2			
3			
4			
5			
6			
7			
8			
9			
10			
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17			
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20			

Page Number		Page Total		Total Medicare Covid Shots	
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Capitalization and Depreciation Expense

# Differences in Tax and Medicare Depreciation

Description	Tax	Medicare
Method	Accelerated - MACRS	Straight-Line
Capitalization Threshold	\$2,500 or \$5,000	\$5,000
Section 179 Deduction	1,080,000, automobiles is less	Not Applicable
Useful Life	Typically, 3 years	Use the AHA guidelines. Typically, 5 to 7 years

- Capital purchases of less than \$5,000 may be expensed under Medicare rules.
- Medicare assets will be depreciated on a straight-line basis using the AHA useful life guidelines.

# Cost Report Repayments to Medicare

- Many of the MACs did the following:
  - Increased the interim rate above the cap
  - Paid Interim Settlements during the year.
- This resulted in the following:
  - Much smaller settlements to RHCs
  - Some RHCs paying back monies to Medicare
  - RHC Consultants having to do a lot of explaining
  - **If you do not tell us you received an interim settlement, we will not know, and you may end up paying back Medicare money.**







### Worksheet C-1

#### Analysis of Payments to RHCs for Services Rendered

RHC Name	
CCN/PTAN Provider Number	
Fiscal Year End	

#### Interim Lump Sum Payments to RHCs

In recent years, the MACs are issuing interim lump sum payments (and occasionally a withhold of payment) to RHCs which are a part of the annual Medicare Cost Report Settlement. These payments or withholds must be recorded on Worksheet C-1 or it may result in a payback to Medicare on settlement of the cost report. If you received an interim payment or withhold please report this information to us below and provide the letter emailed to you documenting the payment or withhold.

Please provide the date and amount of Interim Payments or Withholds

Date of Interim Payments	Amount

**Note: Failure to report these payments or withholds will affect the settlement of your cost report and may result in a payback to Medicare when the cost report is final settled. Please make an effort to identify any such payments to avoid the potential payback to Medicare.**

Report any  
Interim  
Payments to  
us so we can  
include on  
the cost  
report

# Interim Payments to be reported on the Cost Report

## Lump Sum/Rate Change Summary

RE: Provider: [REDACTED]  
 Provider Number: [REDACTED]  
 Fiscal Year End: 12/31/2023  
 Subunit Name: n/a  
 Subunit Number: n/a

Payment Type	Effective Date	New Rate	Current Rate	LSA	Determination Date
Part B Per Visit	*	106.13	106.13	\$ 1,719	
TOTAL				\$ 1,719	

\* = No Change





### Why are you having to payback Medicare on the cost report?

You did not give as many Medicare flu and pneu as the previous year.

Your Interim Rate was too high as established by the MAC (above the cap)

Your Medicare visits increased substantially during the year.

You did not claim bad debts or have a smaller amount of bad debts.

You received an interim settlement and did not tell your CR preparer.



Thank You!

Mark Lynn, Healthcare Business Specialists

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