

>> All right, so let's talk about the cost reports and what they are. Can I have a show of hands of how many of you have already used or downloaded the cost report data? OK. All right, so some of you. So some may not even have looked at it, I don't know what the cost reports are, I've never seen them, I've heard about them. I know they contain cost information and I think I might like to use it for my research. So in this segment, we'll take a look at what are they, what types of facilities submit cost reports, and what types of research can you do with cost report data. So the cost reports themselves are a series of forms that generally collect descriptive, financial, or statistical data, and it's primarily used for the purpose of a settlement summary. A settlement--here, I'm saying it's Medicare over- or underpaid the provider. It's similar to your income tax. So it's between the facility provider and CMS. So CMS will estimate the payment amounts for any service. And then at the end of the provider's fiscal year, there will be a settlement, just like your income tax. Did CMS pay too much based on the actual or too little based on the actual? And so that's what the cost reports are designed to do, is to figure out what--to come to a settlement based on the Medicare beneficiaries that were served by that facility. So it collects information and it's also used for prospective payment rates. Things that are collected in the cost reports include wage index, DSH adjustments, indirect medical education or direct graduate medical education. And then also, it's used for calculating outliers for outlier payments. So you should have seen a similar slide yesterday in Yvonne's presentation. This is to illustrate where does this cost report--where does it happen. And does it happen at the same time as someone is in the hospital or does it happen sometime other than that? So the cost report process happens outside of the care delivery between provider and Medicare beneficiary and so seeking services, paying for your services. The cost reporting process, that occurs separately and that occurs between the Medicare administrative contractor, what CMS designates to do the cost reports, and the provider.

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The providers, the facility providers that submit cost reports do this on an annual basis and they're available for all institutional providers, or the institutional providers are required to submit cost reports. So an important note right off the bat is that physicians are not required to submit cost reports. So if you ask me, "I'm interested in physician services. I want to cost physician services. Can I do it with the cost reports?" What's your answer going to be? No. They are not required. Neither are other non-institutional types of facilities or services. But the one positive note about why so many researchers tend to use cost reports is that it is the only national data available for all types of providers, and types, I mean ownership types, so non-profit, for profit, or government. So, the forms that are used are a series of--actually, they look like Excel worksheets. And in general, these worksheets will be collecting facility characteristics; statistical information, number of beds and discharges; financial, what's the net income and other types of financial information; cost, of course; charge information; wage index is another. So here is an example taken from the hospital, cost report forms themselves. And, again, if this is too small to read, you're welcome to go to your laptop

to look at a larger version of this worksheet. This is taken from what's called Worksheet S-3, Part 1. So like any good government document, it has a form letters and numbers and things like that. So the form, the hospital forms, it's the number 2552-10. So that's the form number, but it includes all of these worksheets and the worksheets are series of letters and numbers. This one happens to be worksheet S as in sum -3, Part 1. And this worksheet is collecting statistical information. So as you can see, you will look along--the rows are hospital, adults, and kids. And you can see that it will give you the number of beds, bed that is available, critical access, hospital hours, inpatient or outpatient visits depending on what row you're looking at. It will give you for different titles and for all. So it's a series of statistical information. This one is commonly used for pulling out some facility characteristic. So the worksheet examples, those again are in your folder. The S-3 Part 1, that contains the majority of the statistical information. S-10 includes uncompensated care. C Part 1 includes costs and charges. Worksheet E is the settlement summary. And G-3 contains the financial information. This is by no means the comprehensive list. It goes from A all the way through J, I think, for letters. But these are the worksheets that researchers are most often interested in using. And just so that you know, I know several of you may not be--your research may cross boundaries as far as you may be looking at hospitals, skilled nursing, or other types of facilities. Today, we're going to be using the hospital cost reports as the example, so you'll see that throughout. But, in general, you can apply all the principles that are being taught across any cost report facility data that you're looking at. The worksheets in general across all facility types are generally consistent, so the Worksheet S series is collecting statistical information. Worksheet C collects cost information if there is collection of cost for that facility type. So it may not be exactly correct but it would be similar, so you at least have some idea where to look. So what types of facilities submit cost reports? Hospitals, skilled nursing, home health, hospice, renal dialysis, and independent rural health clinics or freestanding federally qualified health centers. All of these are facilities that are submitting cost reports and have data that are downloadable.

>> Question.

>> Yes.

>> Do freestanding ASCs have to submit cost reports?

>> No, they do not. So you won't find any freestanding ASC information in the cost reports. If the ASC is part of a hospital, then you might see inline item that would indicate ASC.

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So there is one facility type that is required to submit a cost report but does not have downloadable data available yet, and that's for organ procurement organizations and tissue-typing. So that's the only one where CMS has yet to make the data available. There--it's also important to know what will not be in there that you might expect to find in the cost report data. So some federal hospitals such as the VA hospitals or Indian health service hospitals, you won't find those in there. There's no exchange of money going between the VA and CMS for payment of services. So VA hospitals

are not required to submit cost reports to CMS, and similarly with Indian health services. Some children's hospitals. So you may wonder well, why would you find a children's hospital in there anyway since this is for Medicare, but there may be circumstances when they didn't have or receive Medicare payment, and therefore, they would be required to submit a cost report. But if they don't have any Medicare patients, they are not required to submit a cost report to CMS. Also, emergency hospitals are not required to submit a cost report. And by that, I mean someone that is retired that lives outside of the United States or is traveling outside of the United States and needs services from a hospital outside of the US, that's what I'm talking about with--about a hospital outside of the US, they are not required to submit a cost report for--to CMS. If you're just looking at the hospitals that reside in the US and trying to calculate, well, how many hospitals out of all that we're talking about here are not in there, I estimated at 10 percent. Now, we will take a look at just introduction of what types of research can you do with these data. So generally, researchers are using these data for facility characteristics, financial health, calculating the financial health of a facility and calculating costs and pulling out cost-to-charge ratios specifically for hospitals. Again, some of the facility characteristics that you can find that we saw on worksheet S-3, the beds, number of beds, looking at whether or not it's a teaching facility, the ownership status, the patient days and discharges, and again, this is on S-3. Other types of research that is commonly used with the cost reports is calculating costs. So this--the whole purpose of the workshop is to look at different methods of costing. And so that will be a focus of today looking at costs. And I've noted here, we will focus again on the hospital cost-to-charge ratio for the workshop today. But for those of you that may be interested in other facility types, SNPs look at cost per day so they don't have detailed breakout of their cost except for ancillary services, but it's--generally, it's cost per day that's calculated. Home health will submit cost per visit. Hospice is cost per day. And you can read the others. The--generally, researchers are looking at total cost for all patients or they are looking at the Medicare cost. And, again, so we'll keep on this as far as some other time you'll leave, you'll know when your colleagues ask a question about, "I want to cost physician services." You can say, "No, I'm sorry, you can't do that with the report data because that's not submitted." So that's the question, the age-old question. I've been in health care and worked for a physician group practice and this was already 15 years ago and that was the question we were asking then. And I still have researchers call me today from group practices saying, "I want to--is there anything new with costing physician services?" So if you guys have anything new to share, tell me because I'd love to hear about it. The other thing that is important to realize with the cost reports that you can't do is calculate--people will often ask, "I want to look at a specific DRG or procedure. Can I look in the cost reports for a procedure code and tell me how much it costs the facility to do that particular procedure?" No. So thinking about what--how--what is collected and what it's used for, CMS doesn't get into that level of detail with the cost reports. So the exercise that we all have to go through is--there's a series of cost centers and that may sound great, like, "Oh, it's going to get specific," well, no, it's similar to what Barb talked about with pharmacy, it's pharmacy. What does that mean?

It means anything in pharmacy. So you don't know of the details behind it so you end up having to total up all of these costs that come up with a cost-to-charge ratio, looking at the claims and pulling all the charge information based on the revenue centers that are found there, and trying to figure out, well, what is then the cost of those services.

>> So is a revenue center and a cost center the same thing?

>> Great question, Ben. And I touch on that later today too but the answer is no, it's not, and we'll talk more about why that introduces a lot of issues for researchers. Another common question I get is I'm really interested to understand financial information for a facility. I want a detailed payer mix. I want to know private pay, I want to break it out by the payer. I want Medicare and Medicaid private pay workers comp and then, you know, nicely laid out like that in dollars. Can you get that? No, I'm sorry. It is not calculated that way. So what we saw on Worksheet S-3 is pretty much it. You have a breakout based on discharges. I'm--we could look at it again to make sure--oh, we have it up here, to see if it is the days, broken out by days and discharges you could get at somewhat of a payer mix. But that's only Medicare, Medicaid, all other.

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Again, you may ask yourself, "OK, so we have all these things we can't do, so why do we bother?" Again, it's--it is available on an annual basis so you have something to look at every year, it's available for all institutional providers, all types of providers and it does include a wide array of characteristics, financial information, and cost and charges.