

**March 26, 2010**

**Commonwealth of Pennsylvania  
Office of Developmental Programs**

**Prospective Payment System  
Year 2 Cost Reporting Debrief**



## Agenda

- Purpose of Town Hall
- Background — Recap of Prospective Payment System (PPS) and Cost Reporting
- Overview of Year 2 Cost Report and Desk Review Statistics
- Common E-help Desk Questions
- Desk Review Highlights
- Summary of Provider Survey Results
- Proposed Year 3 Approach
- Questions



## Purpose of Town Hall

- Discuss common findings from Year 2 desk review
- Review feedback received from provider survey
- Overview proposed cost reporting approach for Year 3

## Background — Recap of PPS and Cost Reporting

- ODP implemented the PPS on July 1, 2009 to address CMS' concerns related to financial accountability and statewide consistency
- Within the PPS, rates are established for a prospective period based on allowable costs incurred in providing covered services to Medicaid-eligible individuals in a historical period, as reported in the cost reports
  - The prospective rates are established for an annual effective period
- Unit cost per service calculated from the historical cost report data is adjusted forward to the prospective rating period and may be adjusted for outlier costs and other programmatic reasons

## Background — Recap of PPS and Cost Reporting

- Historical costs are collected annually in uniform cost reports
- For cost reports submitted in Year 2 (based on FY 2008/2009 historical data), providers completed the schedules based on the new service definitions and corresponding procedure codes effective July 1, 2009
- Allowable costs are defined in the cost report instructions
- Each cost report successfully uploaded to the ODP website underwent a desk review
- Cost reports that passed the desk review will be the basis for developing provider-specific rates
- Providers who did not submit a cost report(s), whose cost report(s) did not pass the hard edits, or whose cost report(s) did not pass the desk review, will be assigned rates by ODP, as necessary

## Overview of Year 2 Cost Report and Desk Review Statistics

- 374 traditional MPIs requested an ODP website user account for purposes of submitting a cost report
  - Of these requests, 347 MPIs attempted to upload a cost report and 333 MPIs were successful
    - 14 MPIs attempted to upload a cost report but did not make it past the real-time edits
- 668 initial cost reports were submitted by the 333 MPIs
  - The majority of the 668 initial cost reports required resubmission
- AEs performed desk reviews on 668 initial submissions and roughly 907 resubmissions
- 626 cost reports from 321 MPIs passed the desk review, while 42 cost reports from 12 MPIs failed the desk review



## Common E-help Desk Questions

- The E-help desk was staffed for provider questions from mid-July 2009 through October 16, 2009
- Common themes included questions on how to report:
  - Accrued paid time off
  - Approved program capacity
  - Units available versus units delivered
  - Family living home expenses
  - Transportation expenses
- Several questions were submitted related to the depreciation policies
  - Use allowances
  - Expensing versus depreciating fixed assets
  - Donated fixed assets



## Common E-help Desk Questions

- Several questions were submitted related to reporting residential occupancy expenses on Schedule J (required to support Maximus methodology, as necessary)





## Desk Review Highlights

### Purpose

- For Year 2, the cost report submission process was enhanced to include:
  - Changes to the Excel cost report template
  - Real-time edits to ensure provider compliance with minimum requirements
- These enhancements aimed to increase validity of provider reporting
- The second method ODP used to validate provider reporting was the desk review
- The desk review was performed on cost reports to ensure provider reporting was accurate, complete and reasonable



## Desk Review Highlights

### Common Findings

- Certification Pages
  - Location codes appeared on more than one cost report
  - Correct procedure codes were not selected
  - Provider service location and procedure code combinations often did not align with the provider selections in the SSD
- Schedule A — Expense Report
  - Non-allowable expenses were not separated out and reported in Column E
- Schedule B — Income Statement
  - Significant difference between revenues and expenses
    - In some cases, there were explainable reasons for the difference
    - In most cases, it was due to an error in provider reporting of revenues or expenses



## Desk Review Highlights

### Common Findings

- Schedule Ds — Staff Expenses
  - Staff positions often reported on incorrect schedule (e.g., HR personnel reported as Other Program Staff on D-1 instead of Administration Staff on D-3)
  - CEO compensation in excess of allowable limits was not classified as non-allowable expense
  
- Schedule Es — Provider Depreciation and Amortization Expenses
  - Depreciation taken was accelerated or did not agree with supporting schedules
  - Depreciation schedules not completed appropriately (e.g., annual depreciation expensed did not agree with total cost divided by useful life)
  - Depreciation was taken on fully depreciated assets



## Desk Review Highlights

### Common Findings

- Schedule F — Other Program Expenses
  - Lack of itemization/support provided for large expenses on Line 13: Other
- Schedule H — Program Expense Allocation Procedures
  - Allocation methodologies were often not sufficiently explained or supported
  - The allocation methodology submitted in the cost report was often not consistent with the expense allocation across procedure codes and across other lines of business on Schedule A
- All Schedules
  - General lack of required supporting documentation

## Summary of Provider Survey Results

- To help understand providers' experience with the Year 2 cost reporting process, ODP conducted a survey
- Who responded to the survey?
  - 211 traditional provider responses were collected
  - Almost two-thirds of providers responding to the survey had Consolidated and P/FDS Waiver revenue greater than \$500,000
  - Most respondents submitted one cost report (i.e., 1 of 1) in Year 2 (71% compared to 51% in Year 1)
  - 90% of respondents intend to submit the same number of cost reports in Year 3 as they did in Year 2

## Summary of Provider Survey Results

- The top three aspects of the Year 2 cost reporting process that providers found most challenging included:
  - Understanding the cost report instructions
  - Understanding how to complete each of the cost report schedules
  - Completing the cost report in the time allowed
- Providers responded that the following cost report schedules were the most challenging to complete:
  - Schedule A — Expense Report
  - Schedule B — Income Statement
  - Schedules D through D-3 — Staff Expenses
  - Schedules E through E-2 — Provider Depreciation and Amortization Expenses

## Summary of Provider Survey Results

- 80% of survey respondents attended the July 2009 on-site cost report training session in preparation for the Year 2 cost report submission process
  - 41% of attendees indicated the training was effective or highly effective
  - 37% were neutral
  - 22% indicated the training was somewhat ineffective or highly ineffective
- 72% of respondents attended the September 2009 webcast training session as a follow-up to the July 2009 training session
  - 32% of attendees indicated the session was effective or highly effective
  - 41% were neutral
  - 27% indicated the session was somewhat ineffective or highly ineffective

## Summary of Provider Survey Results

- The top three resources used by providers when completing the cost report included:
  - Cost report instructions
  - Training materials and FAQs posted on the ODP Consulting website
  - Submission of questions to the E-help mailbox
- Although many providers also submitted questions to their assigned AE and their Regional Office fiscal staff, these resources were not used as often as those mentioned above
- Respondents overwhelmingly indicated that each of the above resources was beneficial and they would use them again in Year 3



## Summary of Provider Survey Results

- Respondents reported the following regarding their overall satisfaction level with the Year 2 cost reporting process:
  - Very satisfied: 1% (2% in Year 1)
  - Satisfied: 35% (13% in Year 1)
  - Neutral: 46% (36% in Year 1)
  - Dissatisfied: 14% (27% in Year 1)
  - Very dissatisfied: 4% (22% in Year 1)
- Above results show:
  - An increased satisfaction level with the process in Year 2 compared to Year 1
  - Room for continued improvement in Year 3

## Summary of Provider Survey Results

- The top two aspects of the Year 2 desk review process that providers found most challenging included:
  - Completing the resubmission request in the time allowed
  - Understanding the feedback received from the AE and the changes required
- Respondents reported the following regarding their overall satisfaction level with the Year 2 desk review process:
  - Very satisfied: 12%
  - Satisfied: 44%
  - Neutral: 32%
  - Dissatisfied: 10%
  - Very dissatisfied: 2%

## Summary of Provider Survey Results

- About half of the respondents indicated they would have difficulty being able to complete their Year 3 cost report by October 1<sup>st</sup>
  - Items making this a challenge included:
    - Not having audit completed prior to cost report submission deadline
    - Not having final fiscal year numbers from AEs on a timely basis
      - ODP recognizes that not receiving final revenue numbers timely from the AE was an issue for Year 1 and Year 2; since there will not be a cost settlement process with AEs at the end of FY 2009/2010, this should not be an issue for Year 3
- However, the majority of respondents want ODP to continue with the cost report process instead of adding more services to the fee schedule in future years

## Summary of Provider Survey Results

- About 25% of respondents support ODP adding more services to the fee schedule in future years (compared to 17% in Year 1)
  - 35% of respondents with less than \$500,000 in waiver revenue support ODP establishing rates through a fee schedule compared to 20% of respondents with more than \$500,000 in revenue
  - The most common services suggested to be moved to a fee schedule (outside of the requests for all services to be on a fee schedule) included:
    - Unlicensed Home & Community Habilitation
    - Respite
    - Supported Employment

## Proposed Year 3 Approach

### Provider Comments

- In addition to feedback on the Year 2 process, providers also used the survey to offer the following feedback on preferences for Year 3
  - Respondents expressed strong preference to keep the cost reporting process the same from year to year
    - Prefer no significant changes are made to the cost report template, instructions or policies
  - Respondents expressed a strong desire for additional training sessions on the cost report instructions and schedules
  - Respondents also requested clarification and detail be added to the cost report instructions around complex topics including:
    - Depreciation
    - Expense Allocation



## Proposed Year 3 Approach

### Provider Comments

- Respondents requested that the E-help Desk also be staffed by telephone, as there were occasions where providers needed to ask a question in person, rather than via email



## Proposed Year 3 Approach

### Potential Changes

- ODP does not anticipate making significant changes to the cost report template or instructions for Year 3
  - The changes will mainly focus on clarifying issues within the present template
  - There may be modifications made so the cost report can be used for both Waiver and Base purposes

## Proposed Year 3 Approach

### Potential Changes

- Year 3 potential changes may include, but are not limited to:
  - Additional training on cost report instructions and schedules
  - Additional clarification in cost report instructions regarding topics where questions were frequently asked and issues that changed from Year 2 to Year 3
  - Cost report submission deadline of October 1 to allow providers more time during the resubmission process
  - Format of the cost report file
    - Allow providers to select all cells (even locked cells) in order to sum various amounts within schedule
  - Provision of a high level timeline to help providers understand the various components of the process and when they occur



**Questions?**