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 1st
  - 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?