



Policy, Accounting and Reimbursement

PAST, PRESENT AND FUTURE

Tammy Brunetti, Principal
Andrea Colfer, Senior Manager
Ashley Tkowski, Manager

January 21, 2021



What a whirlwind!

Information contained herein is current as of January 8, 2021. Any regulatory updates after that date will be discussed during Q&A.

Presentation objectives

1

Gain an understanding of available COVID-19 funding, related compliance requirements, and reimbursement implications.

2

Gain insight on Medicare and Medicaid regulatory, payment, and policy changes that may have financial impacts on your facility.

3

Gain perspective regarding industry financial, cost, and payment trends and understand how you “measure up”.



Polling question #1

Paycheck Protection Program (PPP) Funds Administered by the Small Business Administration (SBA)

Top questions received from clients

- How do I account for these funds?
- When should I apply for forgiveness, and what should I consider?
- Do I report these funds on the Medicare cost report, and if so, how?
- Do I report these funds on the Medicaid cost report, and if so, how?

Accounting for PPP Funds

For-profit

Loan model

- Note payable
- Debt forgiveness

Not-for-profit

Loan model

- Note payable
- Debt forgiveness

Conditional contribution model

- Refundable advance
- Grant revenue

Paycheck Protection Program (PPP) Funds

Administered by the Small Business Administration (SBA)

Top forgiveness application considerations

- When to apply for forgiveness
- Which form should be filled out
- Full form - start with PPP Schedule A Worksheet. Keep in mind any alternative funding sources that may be used to offset salaries and wages prior to applying the \$100,000 salary cap.
- Concept of FTE vs. Employee Headcount, and there are multiple periods to view in the Full Form
- Pretend you will be audited

Paycheck Protection Program (PPP) Funds

Administered by the Small Business Administration (SBA)

Cost Report Reporting

Medicare

- G Series
- Follows financial statement presentation
 - Non-patient related revenue
- No A-8 adjustment

Medicaid - MA, NH and other non cost settled states

- Follow grant reporting regulations
- No immediate payment/reimbursement impact

Medicaid – Maine – Cost Settled

- Consider the “double dipping” limitation
- Remove costs forgiven through the PPP program through a cost report adjustment in the year the PPP loan was granted when the PPP loan is forgiven
- Timing
 - Cost report filing
 - Financial statement reporting



Polling question #2

Coronavirus Aid, Relief and Economic Security (CARES) Act

General distributions

- Phase 1 – Medicare providers
- Phase 2 – Opened up to Medicaid and private pay providers
- Phase 3 – Other – application based

Targeted distributions

- Skilled Nursing Facilities
- Nursing Home Infection Control Distribution



Coronavirus Aid, Relief and Economic Security (CARES) Act

Top questions received from providers

- How do I account for Provider Relief Funds (PRF)?
- What is Uniform Guidance? Do I qualify?
- What are the reporting requirements of the PRF funds? How does the guidance impact accounting recognition?
- Do I report these funds on the Medicaid or Medicare cost reports, and if so how?

HHS Funds Financial Reporting

Accounting recognition

- For-profit
 - Refundable advance until earned
 - Other revenue when earned
- Not-for-profit
 - Refundable advance until earned
 - Grant revenue when earned

Financial statement disclosure considerations



Uniform Guidance

A government-wide framework for grants management – an authoritative set of rules and requirements for Federal awards

Required if:

Expenditures or “lost revenues” of \$750,000 or more **expended during** fiscal year

What does this mean?

- Includes all CARES
- Compliance Supplement not yet released
- Provider Relief Fund General and Targeted Distribution payments (CFDA 93.498)
- COVID Testing for the uninsured (CFDA 93.461)
- Consider state pass through funding

HHS Funds – HHS Reporting Compliance

HHS Reporting

Information is accumulated and reported on a quarterly basis, but is currently settled on accumulated data through 12-31-2020 then from 1-1-2021 to 6-30-2021

First reporting period

- Open 1-15-2021 to 2-15-2021
- For revenues and expenses through 12-31-2020

Second reporting period

- Due by 7-31-2021
- For revenues and expenses through 6-30-2021

Discussion items:

- What about September or March year ends?
- Will we get more clarification?

HHS Funds – HHS Reporting Compliance

Expenses

Compensation

- Incremental costs
- Executive Level II (\$197,300)
- Reduced by amounts paid by other sources

Healthcare related expenses

- Incremental costs
- COVID related
- Reduced by amounts paid by other sources

Discussion items:

- Cost based reimbursement
- Capital expenditures and related depreciation
- PPE inventory
- No double dipping
- Concept of incremental cost

HHS Funds – HHS Reporting Compliance

Lost Revenues

- Report by quarter
- Settle by calendar year
- Calculation guidance has shifted greatly
- Newest guidance may delay portal reporting

Discussion items:

- Can I use my budget as a basis? Yes!!!
- Calendar vs quarter
- NET of "other" relief funding. This is the subject of much discussion.
- Net of prior year cost report settlements.

HHS Funds – Cost Reporting

Medicare

- Reported as grant revenue on G Series and expenses reported on Worksheet A
- No A-8 or revenue adjustment – Provider Relief Funds should NOT offset allowable expenses on the SNF Medicare cost report

Medicaid

- Follows grant reporting guidance
 - Maine – offset EXPENSES against allowable direct and routine costs up to the extent costs are above your limits
 - Other states may not specifically offset grants, but must consider “double dipping”
 - Base year considerations

Discussion items:

- Ordering the use of PRF funds
- Avoid “double dipping”



Presentation objective

2

Gain insight on Medicare and Medicaid regulatory, payment, and policy changes that may have financial impacts on your facility.



Polling question #3

Patient Driven Payment Model (PDPM)

In summary

- 9% Medicare reimbursement boost
- Payment drivers – documentation of depression and restorative nursing
- Concerns over clawbacks
- No substantial changes to PDPM in 2021 payment rule

Impact of COVID-19

- Reimbursement “boost” is a part of the revenue loss consideration – some consider unfair
- Proper coding of isolation stays can yield highest paying case-mix group

In reflection

- We (you) were ready
- Continued MDS education is crucial
- Some missed reimbursement opportunities
- It is key to have the diagnosis supported by care plan
- With a year in review, continue to evaluate therapy plans

Patient Driven Payment Model – A Year Later can be found here: <https://bit.ly/39xKJSA>

FY 2021 Prospective Payment System (PPS) Final Rule

Overall

- 2.2% market basket increase
- No multifactor productivity adjustment!
- Budget neutrality factor .9992
- Increase in the labor-related weight from 70.9% for FY 20 to 71.3% for FY 21
- Projected aggregate payments will increase \$750 million
- Value Based Purchasing adjustment projected to be \$199.5 million

Impact

- Overall impact to providers in urban and rural areas is an average increase of 2.2% and 2.4%, respectively
- Only 1% increase for urban New England providers

Other

- ICD-10 code mapping changes
- Core-Based Statistical Areas (CBSA) changes
- Changes to Value Based Purchasing program
- No COVID-19 related payment policy in the final rule

BerryDunn's calculator can be found here: <https://bit.ly/30QkT7w>

Maine - DHHS Rate Evaluation

State contracted with Myers and Stauffer LC

- Selected out of 7 proposals
- Total fee \$468,330
- Not the lowest bid

Phase 1 Stakeholder meetings held in October

- Discussion guide
- No discussion of actual rate amounts entertained

Phase 1 Findings Released

Phase 2 Stakeholder meeting held in December

- Include benchmarks to other states
- Opportunity for providers to share comments regarding the adequacy of MaineCare rate amounts

Interim Phase 2 findings will be released mid-January 2021, and the final report in February

MaineCare's goals:

- Recommendations for simplifying and streamlining rate methodologies, and for a process and structure for ongoing rate review and rebasing;
- A priority list and work plan for short- and longer-term rate reviews; and
- An estimate of the necessary investment to implement recommendations.

Maine Reimbursement Policy Matters to Consider

Treatment of the following in the cost report:

- Temporary rate increase – NF and RCF
- Outbreak extraordinary circumstance allowance – NF and RCF
- Provider relief funds earned – NF and RCF
- PPP funds – if and when forgiven – NF and RCF
- Staff surveillance testing payments and cost – NF and RCF

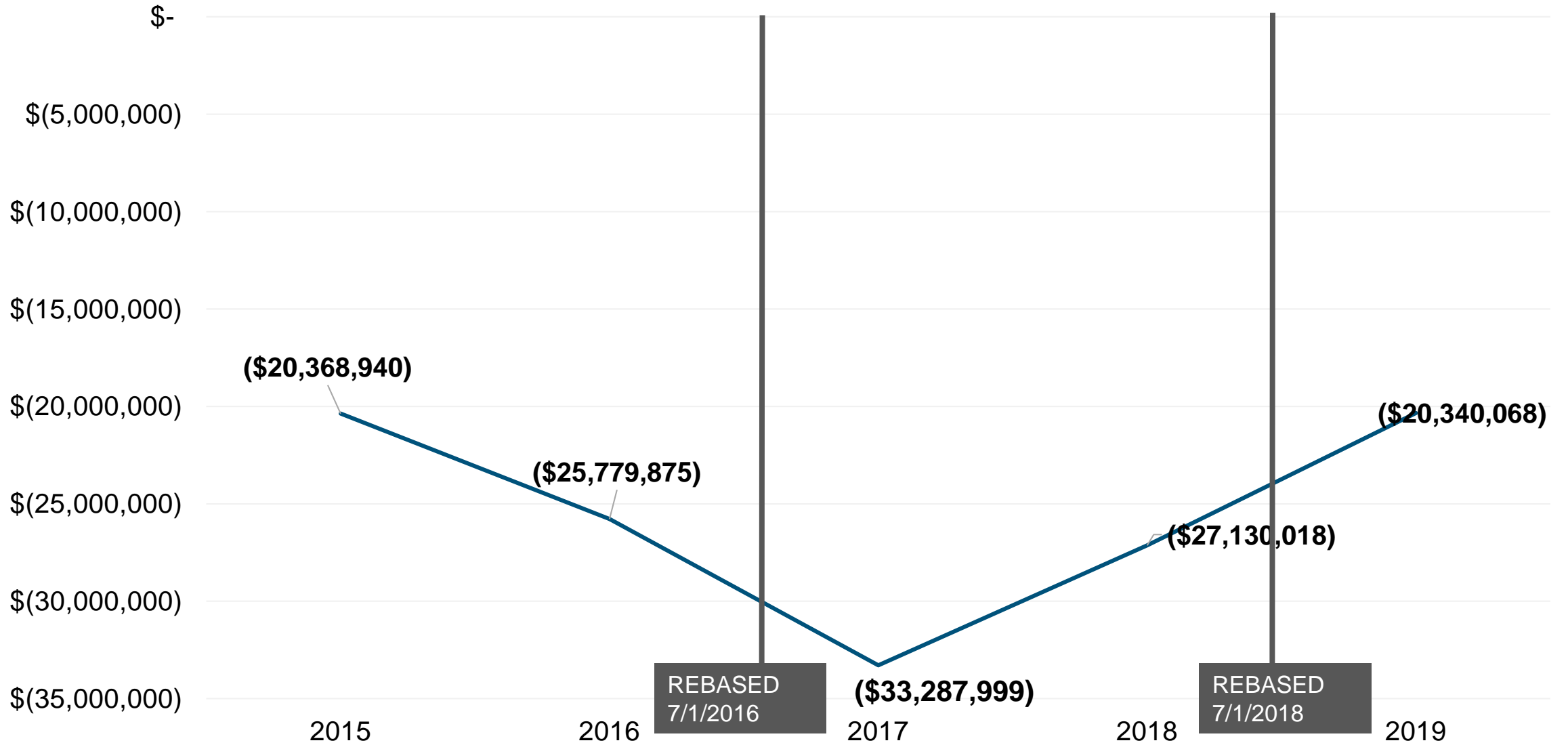
- Inflation adjustments and corrections – NF and RCF
- Change in Bed Hold payments – NF only
- Changes in treatment of software costs – RCF and NF
- Inclusion of reference to the Principles for each cost report adjustment
- Worked hours, wages, and payroll taxes and benefits adjustments

Maine Rebasing Effective 7/1/2021

Rates released November 30, 2020 (letters dated 11-19-20), applicable retroactively to July 1, 2020

- Used 2019 as filed cost reports
- Annual inflation rate applied 2.82% (from BLS CPI for Urban Wage Earners and Clerical Workers)
- Adjusted estimated payment for High and Ultra High MaineCare Utilization payment
- Hold harmless calculation based on comparison to June 30, 2018 rate
- Supplemental wage allowance based on 10% of wage and benefits as well as contracted labor, limited to budget of \$10m available funds (50% haircut)

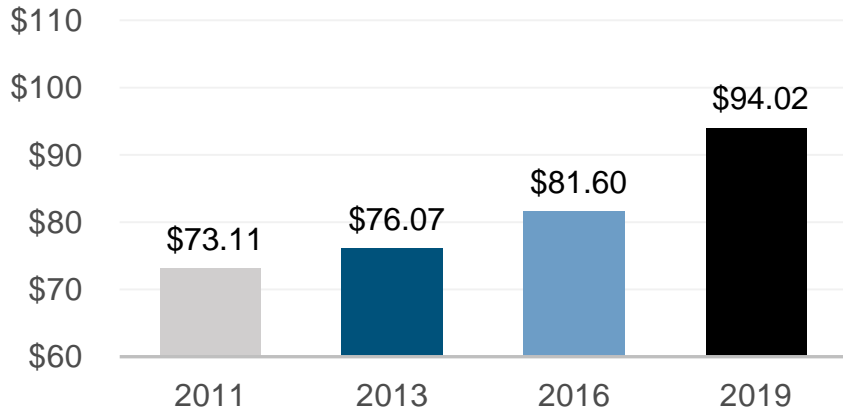
Maine Nursing Facility Medicaid Shortfall



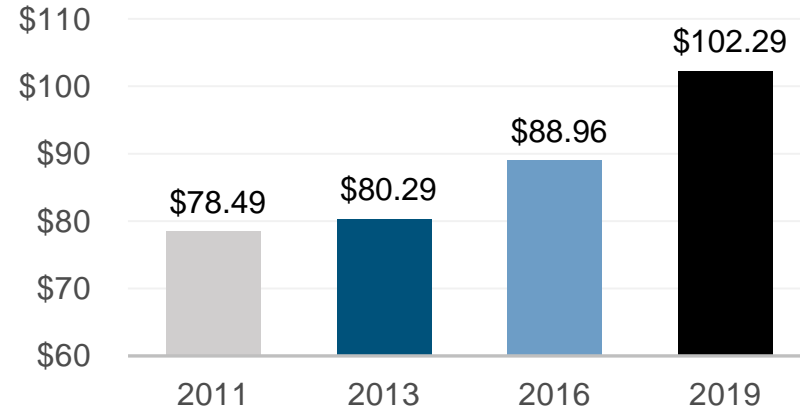
Source: BerryDunn Medicaid Cost Report Database

Maine Long Term Care Rebasing Trending of Median Limits by Base Year: Direct Care

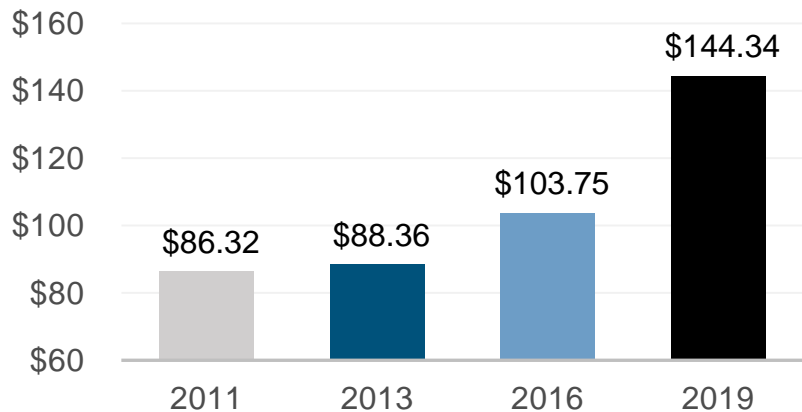
PEER GROUP 1 - ≤ 60 BEDS



PEER GROUP 2 - > 60 BEDS



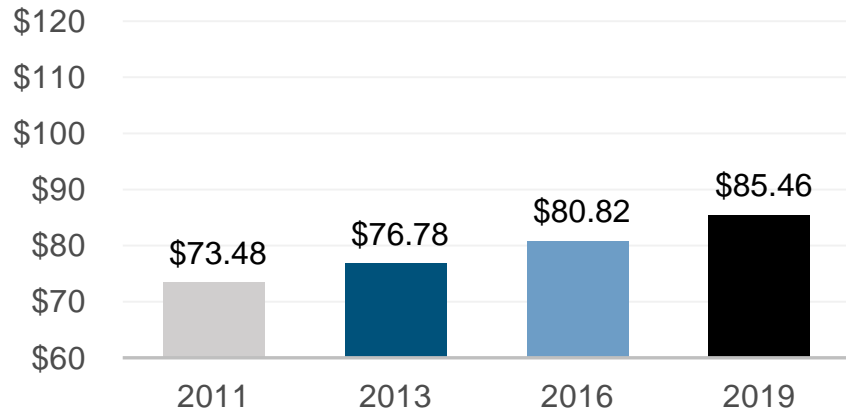
PEER GROUP 3 - HOSPITAL BASED



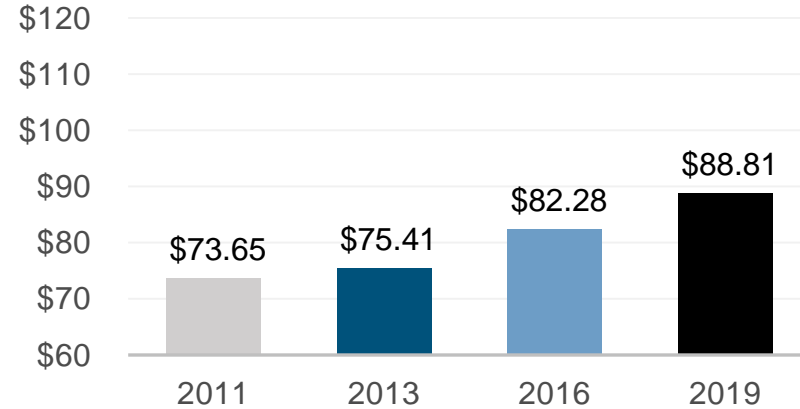
**Amounts represent 110% of
calculated medians
(used to set the limit)
in the respective base years**

Maine Long Term Care Rebasing Trending of Median Limits by Base Year: Routine

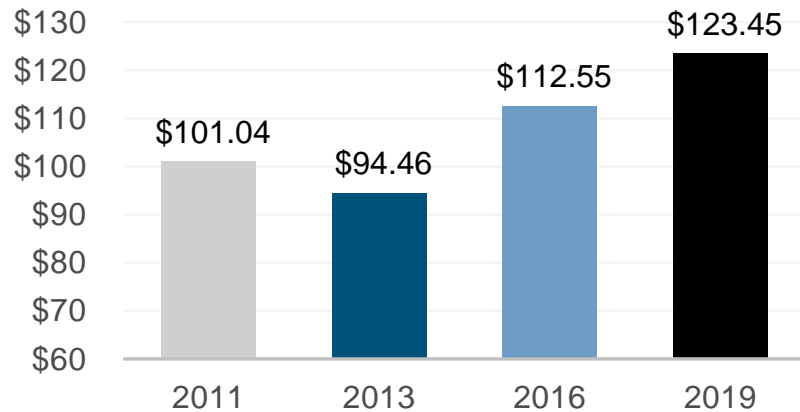
PEER GROUP 1 - \leq 60 BEDS



PEER GROUP 2 - $>$ 60 BEDS

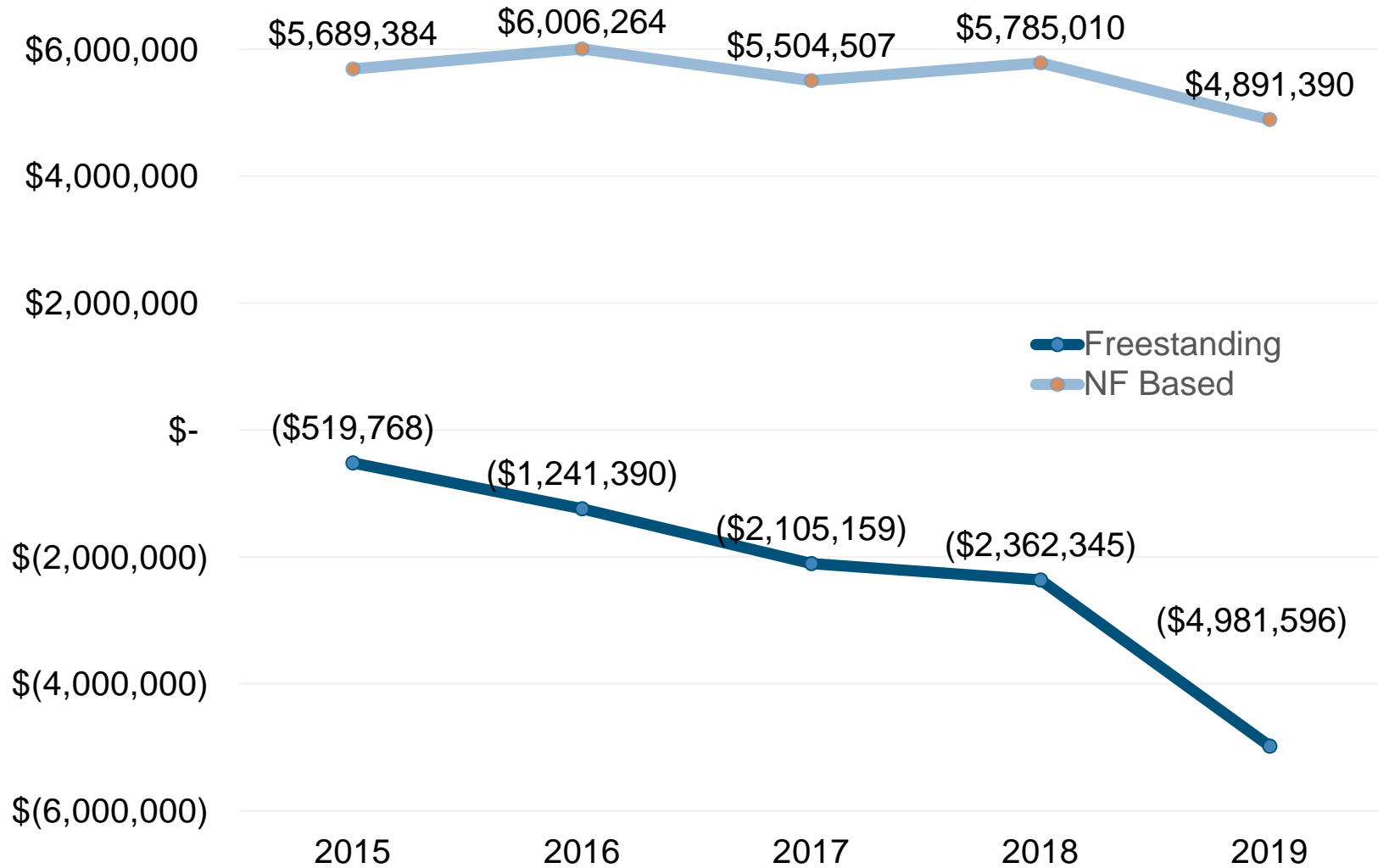


PEER GROUP 3 - HOSPITAL BASED



Amounts represent 110% of calculated medians (used to set the limit) in the respective base years

Maine Residential Care Facility Medicaid Shortfall



Massachusetts Reimbursement Policy Matters to Consider

Amendments to Regulation 101 CMR 206.00 Standard Payments to Nursing Facilities

Implementation of many regulations of the Nursing Facility Task Force

- Effective services beginning October 1, 2020
- Base Year 2018
- Four tier operating cost standard eliminated, substituted with one standard payment
- Capital payment – regionalized median instead of 49th percentile, with 7.1% cost adjustment factor. Hold harmless implemented.
- Changes eliminate many add-ons
- Implements other add-ons
- COVID-19 Support Payments, Isolations Spaces payments, Staff Testing Supplemental Payments

MassHealth Nursing Facility Bulletin 151

- Room density planning
- Potential impact on COVID-19 relief payments

New Hampshire Reimbursement Policy Matters to Consider

Governor's Office for Emergency Relief and Recovery (GOEFRR)

- Long Term Care Stabilization Program
- Healthcare System Relief Fund
 - Long Term Care Provider Program Round 1
 - Long Term Care Provider Program Round 2
- Main Street Relief Fund (1 & 2)



Presentation objective

3

Gain perspective regarding industry financial, cost, and payment trends and understand how you “stack up”.

Maintain Three Types of Databases

- Financial
- State Medicaid cost reports
- Medicare cost reports

Purpose

- Client
- Legislative / industry support

Financial

- Key financial indicators
- BerryDunn attestation clients only

MaineCare Cost Reports

- Key cost report information
- All nursing and facility-based residential care facilities in Maine
- Separate worksheet for key RCF data

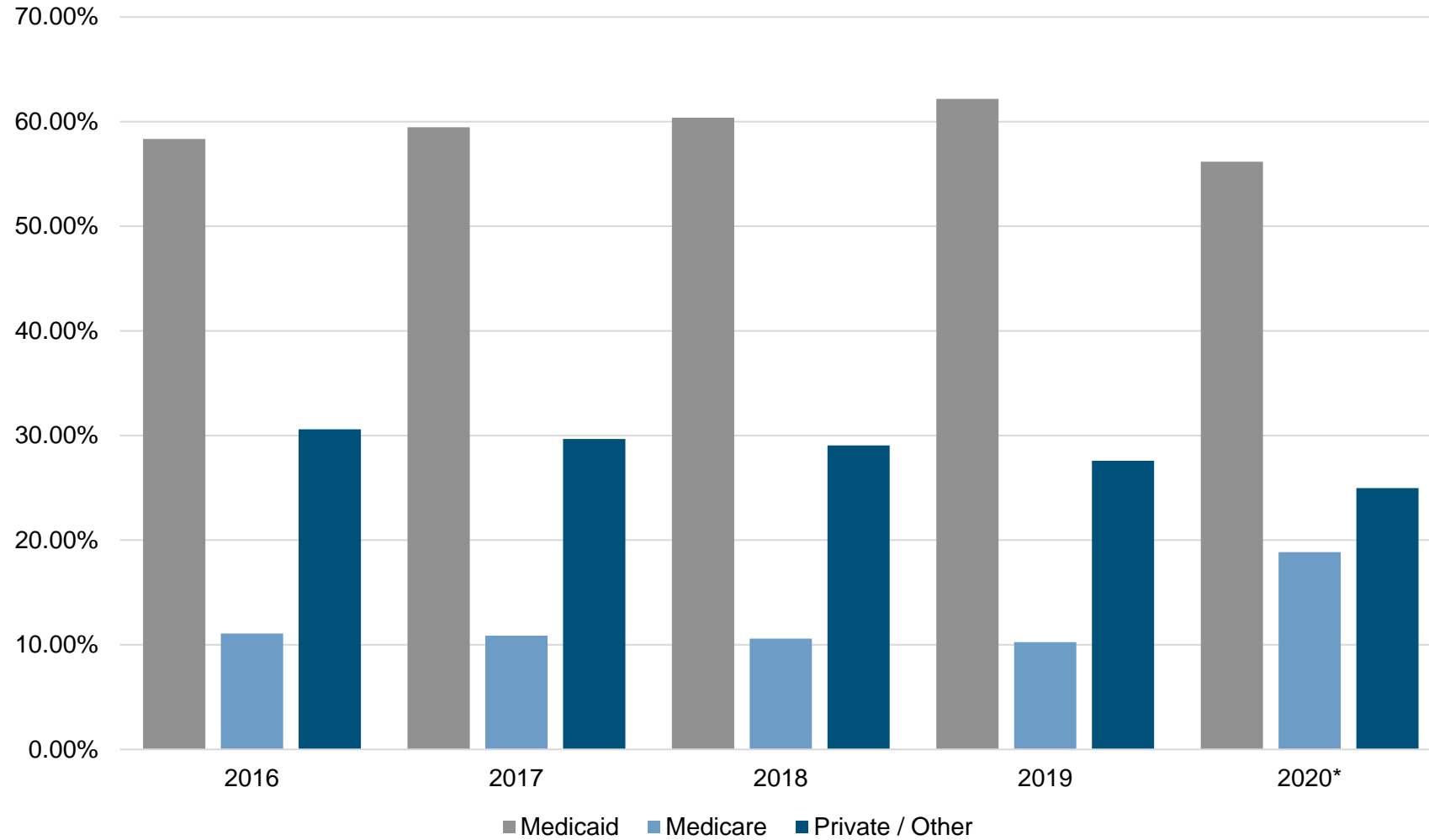
Medicare Cost Reports

- Key cost report information
- All skilled nursing facilities in the country



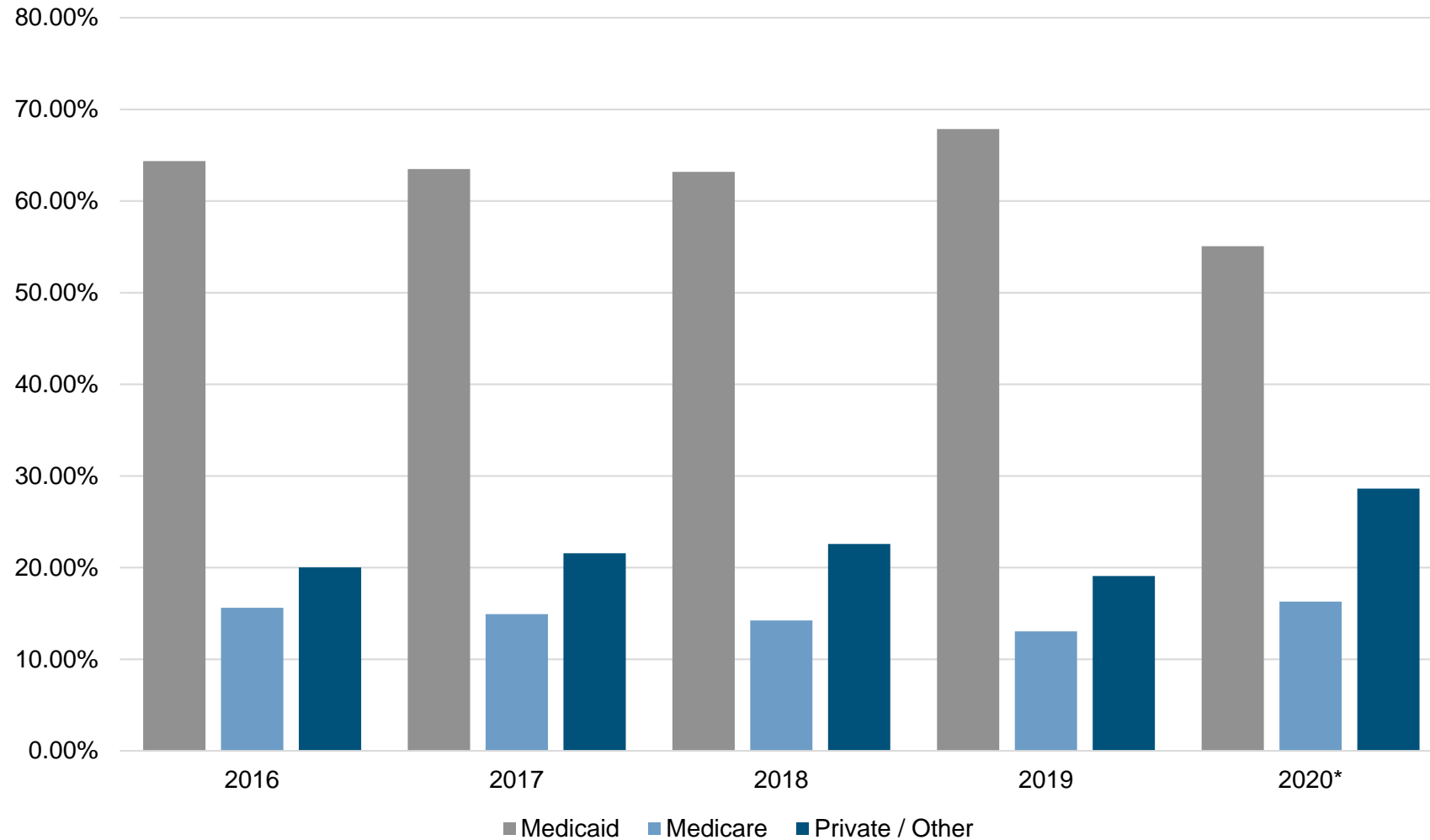
Polling question #4

Massachusetts Payor Mix Trend (State-wide)



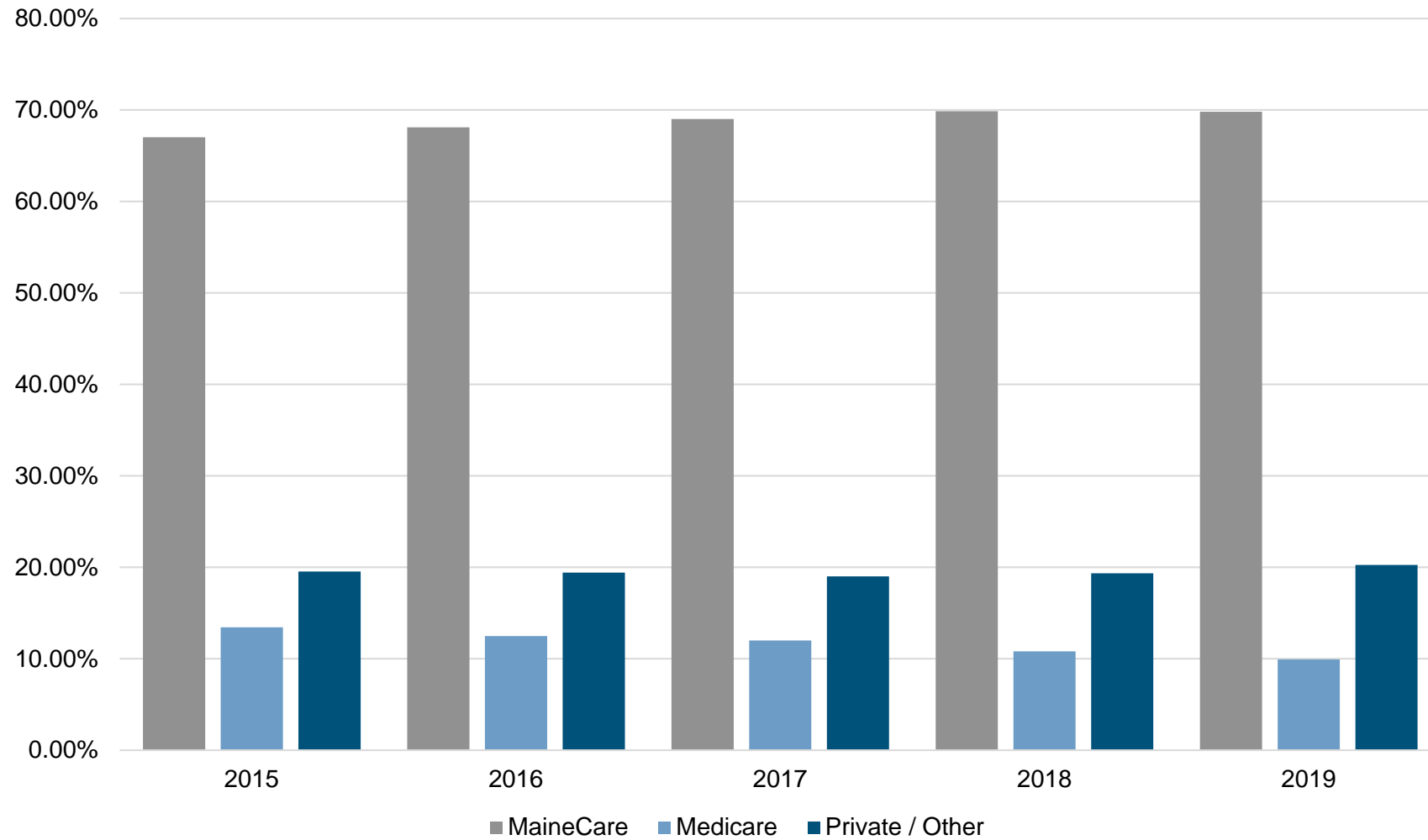
Source: HCRIS Database
 *Not all facilities reporting.

New Hampshire Payor Mix Trend (State-wide)



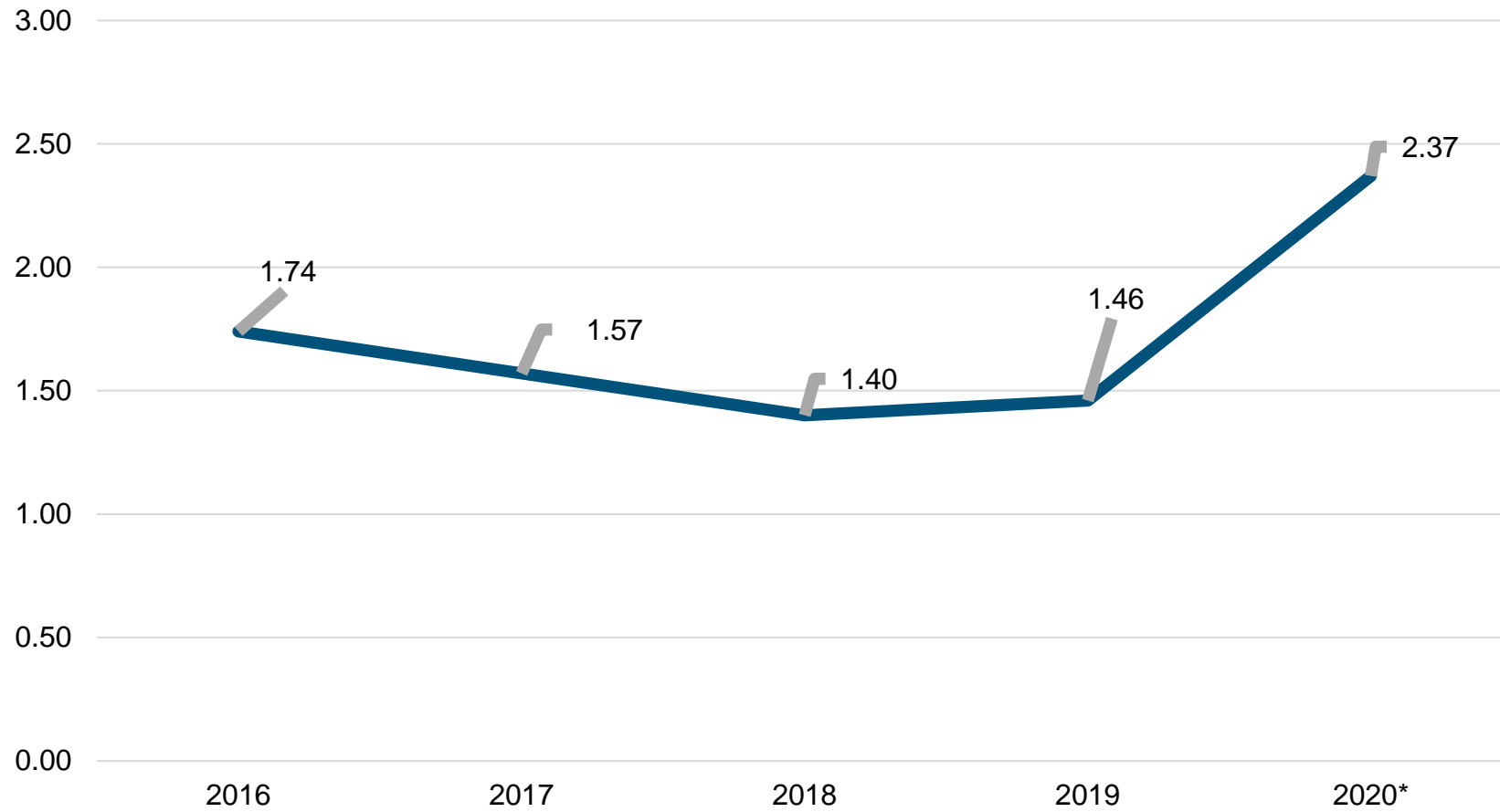
Source: HCRIS Database
 *Not all facilities reporting.

Maine Payor Mix Trend (State-wide)



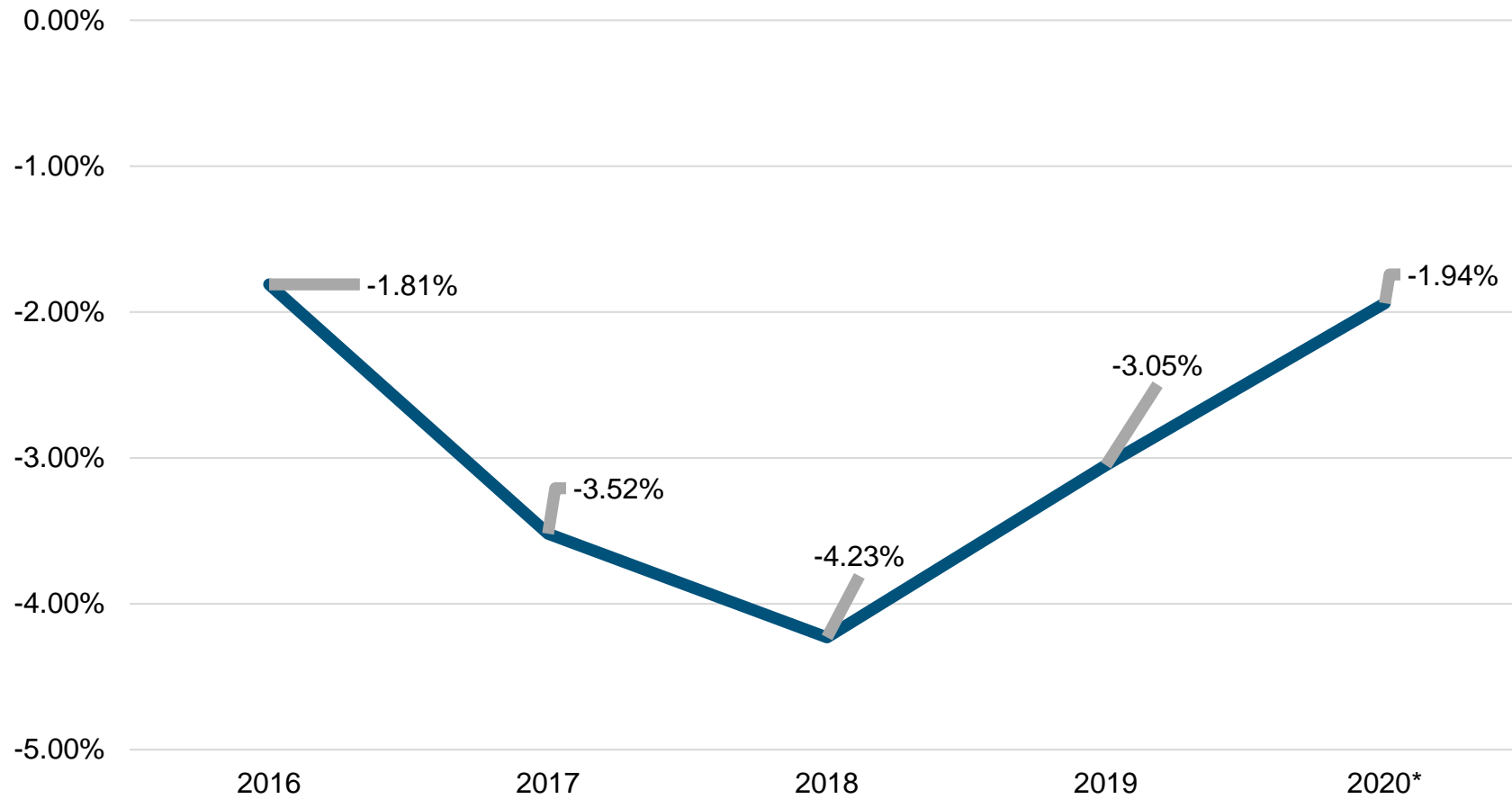
Source: BerryDunn Medicaid Cost Report Database

Current Ratio



Source: HCRIS Database
*Not all facilities reporting.

Total Margin



Source: HCRIS Database
*Not all facilities reporting.



Polling question #5

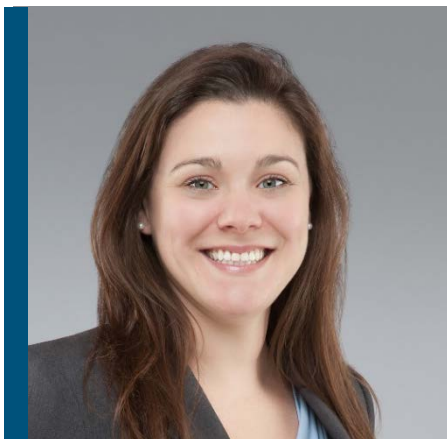
Questions



Tammy Brunetti, CPA
Principal
207.541.2258
tbrunetti@berrydunn.com



Ashley Colfer, CPA
Senior Manager
207.541.2230
acolfer@berrydunn.com



Ashley Tkowski, CPA
Manager
207.991.5190
atkowski@berrydunn.com