

ORGANIZATION POLICY

POLICY TITLE: ADEQUATE DOCUMENTATION FOR COST REPORT
STANDARDIZED WORKPAPER PACKAGE
IDENTIFICATION OF NON-ALLOWABLE COSTS
REVIEW OF COST REPORT

POLICY NUMBER: 1218

POLICY:

All data included in filed Medicare and Medicaid Cost Reports will be based on adequate, auditable, and verifiable, documentation. The data collected will be based on the financial and statistical records. The data will be verifiable by auditors both Internal and External. Cost data should be based on an approved method of cost finding and on the accrual basis of accounting.

This policy will comprise the following attributes related to Cost Report documentation:

- Appropriate and accurate documentation of all claimed costs
- Appropriate identification and treatment of non-allowable costs
- Retention of Cost Report workpapers

PURPOSE:

To ensure that Cost Reports are filed based on adequate documentation that is both auditable and verifiable; to ensure that costs which are non-allowable, and costs not supported by verifiable and auditable data will not be claimed for reimbursement in filed Cost Reports; and to provide guidelines for the creation and retention of a work paper package to support the claimed reimbursement on the filed Cost Report. At its discretion, Management may engage outside accountants and consultants to assist with the compilation of cost reports; all outside accountants and consultants should abide by these policies.

PROCEDURE/GUIDELINES:

Appropriate And Accurate Documentation Of All Claimed Costs: Adequate cost information will be obtained from the hospital's records. This data will support claims for reimbursement by Medicare. The requirement of adequacy of data implies that the data be accurate and is in sufficient detail to accomplish the purposes for which it is intended. Adequate data capable of being audited is consistent with good business concepts and effective and efficient management of any organization. In order to provide the required cost data and not impair comparability the financial and statistical records should be maintained in a manner consistent from one period to another. However, a proper regard

for consistency need not preclude a desirable change in accounting procedures if there is reason to effect such change.

This adequate documentation policy may encompass (but is not limited to) the following:

- Cost Report Workpapers
- Trial Balances
- Chart of Accounts
- Provider and professional components of physician fees supported by auditable physician time records, if provider component time is reported on the filed cost report. The CMS-339 form requires written allocation agreements for each provider-based physician.
- Contract services, such as physical, speech and occupational therapies supported by contracts and logs that reflect hours of service. Changes or new agreements in patient care services furnished through contractual arrangements are to be submitted with the CMS-339, if required by the FO cost report acceptance standards or business necessity.
- Purchased management and/or administrative services supported by contracts, descriptions of services, etc.
- Patient services for all payer types (inpatient and outpatient) supported by payer logs, reconciliation's, Provider Statistics & Report's, etc.
- Allocation statistics (including current time studies, square footage surveys, etc.)
- Bad Debts - All claimed Medicare bad debts must be included on the bad debt list submitted with the cost report and be supported by documentation required by the regulations. Bad debts will be reviewed for collection effort, write-off date, and amount prior to inclusion in reimbursable costs per the cost report.
- Leases / rental Agreements - A copy of all new leases/rental agreements are to be submitted with the CMS-339, if required by FI cost report acceptance standards or business necessity.
- Debt Instruments / Agreements - A copy of all new debt instrument agreements are to be submitted with the CMS-339 if required by FI cost report acceptance standards or business necessity.
- For Disproportionate Share claim it will be necessary to maintain a record of Medicaid covered days. A summary will be prepared indicating total Medicaid days by remittance advice date. The summary and supporting remittance advice's should be available to the FI during audit. Medicaid days applicable to excluded units, observation or swing beds may not be included in total Medicaid days.

Cost Report Workpapers

For each cost reporting period, the cost report preparer will prepare a detailed workpaper package to support the claim for reimbursement on the cost report. The workpaper package associated with an as-filed cost report should be in sufficient detail to support all information included on the cost report. All workpapers should include sufficient description of the source for the information included on the workpaper, the reason for

the work paper to be created, and appropriately cross-referenced to supporting documentation.

Appropriate Identification And Treatment Of Non-Allowable Costs

It is the hospital's policy to exclude non-allowable costs on the filed Cost Reports regardless of materiality and Medicare settlement impact. In accordance with the Cost Report Documentation policy, all non-allowable costs will be excluded from the Cost Report when identified. The preparer of the Cost Report will periodically prepare a list of examples of non-allowable costs and provide this list to the CFO or his/her designate for distribution to appropriate hospital personnel. In addition, the preparer of the Cost Report will identify and list those general ledger cost centers to be analyzed for identifying non-allowable costs. These lists will periodically be reviewed by the CFO or his/her designate for input as to the completeness of the list and identification of other cost centers for additional review.

As a matter of hospital policy, the determination of the filed Cost Report treatment for non-allowable costs will generally be made using the following guidelines:

- Non-allowable costs to which general services do not apply are to be offset on the Medicare Cost Report worksheet A-8.
- Non-allowable costs to which general services do apply will be established as non-reimbursable costs centers with appropriate allocation statistics assigned for the carve-out of applicable overhead.

Other methods may be used as approved by the fiscal intermediary.

Retention of Cost Report Workpapers

In order to best protect the interests of the Hospital, workpapers supporting filed Cost Reports will be obtained indefinitely, as no statute of limitations exists that might prohibit a regulatory agency from investigating reimbursement claimed on filed Cost Reports.

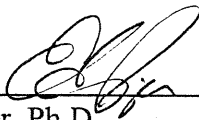
EFFECTIVE DATE: July 2004

REVIEW DATE: _____

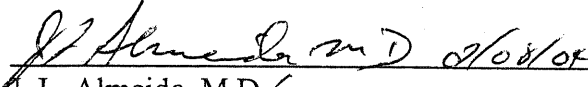
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Page 4

APPROVED BY:



Ed Piper, Ph.D.
Chief Executive Officer



J. L. Almeida, M.D.
Chief of Staff