

3650. ANALYSIS OF RENAL DIALYSIS DEPARTMENT COSTS

This worksheet provides for the analysis of the direct and indirect expenses related to the renal dialysis cost centers, allocation of cost between inpatient and outpatient renal dialysis services where separate cost centers are not maintained, and the allocation of the cost to the various modes of outpatient dialysis treatment. The ancillary renal dialysis cost center is serviced by the general cost centers and includes all reimbursable cost centers within the provider organization which provide services to the renal dialysis department. The cost used in the analysis for the renal dialysis department is obtained, in part, from Worksheets A; B, Part I; and C. Complete a separate Worksheet I series for lines 57 and 64 of Worksheet A. In other words, complete one Worksheet I series for line 57 and one for line 64, if appropriate.

3651. WORKSHEET I-1 - ANALYSIS OF RENAL COSTS

This part provides for recording the direct salaries and other direct expenses applicable to the total inpatient and outpatient renal dialysis cost center or outpatient renal dialysis cost center where you maintain a separate and distinct outpatient renal dialysis cost center. If you have more than one renal dialysis department, and/or more than one home dialysis department, submit one Worksheet I series combining the renal dialysis departments and a separate Worksheet I series combining the home dialysis departments. You must also have on file, as supporting documentation, a Worksheet I series for each renal dialysis department and for each home dialysis department along with the appropriate workpapers. File this documentation with exception requests in accordance with CMS Pub. 15-I, §2720. Do not combine the cost of the renal dialysis with home program dialysis reported separately on Worksheet A, lines 57 and 64.

This worksheet also provides for recording the indirect expenses applicable to the total renal or outpatient renal dialysis department obtained from Worksheet B, Part I, columns 1 through 24, line 57 as adjusted for post stepdown adjustments, if any. When completing a separate Worksheet I for home program dialysis, transfer the direct expenses from Worksheet B, Part I, columns 1 through 24, line 64. Do not combine the cost of the renal department with home program dialysis. These costs are listed separately on Worksheet A, lines 57 and 64, respectively.

Column Descriptions

Column 1--Enter on lines 1 through 8 the amounts included from Worksheet A, column 7 for salaries only. Enter on lines 10 through 16 and 18 through 28 the amounts from Worksheet B, Part I, all columns for lines 57 and 64. The subtotal on Worksheet I-1, line 29 agrees with the sum of Worksheet B, Part I, column 27, line 57 or line 64 if a home dialysis cost center was established and used on Worksheet A.

Column 2--This column lists the statistical bases for allocating costs on Worksheet I-3.

Column 3--Enter paid hours per type of staff listed on lines 1 through 6.

Column 4--Enter full time equivalents by dividing column 3 by 2080 hours.

Line Descriptions

Lines 1 through 6--Enter on these lines the direct patients care salaries after adjustments and reclassification that you reported in column 7 of Worksheet A. Direct patient care salary includes only the salary of staff providing direct patient care services. Also include fee paid to non-employees providing direct patient care services. Time spent furnishing administrative or management services by direct patient care personnel is reported on line 8, non-patient care salary.

Line 7--Include on this line amounts paid to physicians for their administrative services of managing the renal department. These payments are subject to the limitation contained in §2723.3 of CMS Pub. 15-I. Also include payments to physicians for their medical services if the box on line 15 of Worksheet S-5 is marked the initial method. A complete description of the initial method is in CMS Pub. 15-I, §2715. For a renal provider to be paid under the initial method, all renal physicians at the provider must elect the initial method. Under the initial method, renal physicians are paid by the provider for their routine renal medical services and the provider's composite payment rate is increased according to 42 CFR 414.313. No payment to physicians for patient medical services should appear on this line if the monthly capitation payment (MCP) box is marked on Worksheet S-5. Under the MCP, carriers pay physicians directly for their medical services.

Line 8--Enter the amount of salaries paid non-patient care personnel after reclassifications and adjustments that you report in column 7 of Worksheet A.

Lines 10 through 16--Include on the appropriate lines costs directly charged to the renal department after reclassifications and adjustments. Report other direct costs on line 16 that cannot be specifically identified on lines 11 through 15.

Line 17--Add lines 9 through 16. *This total in column 1 must agree with the total on Worksheet A, column 7, line 57 or line 64, as appropriate.*

Lines 18 through 28--Enter the allocated general service costs from Worksheet B, Part I, lines 57 or 64, as listed in the chart below.

NOTE: *Line 27 should exclude the costs of EPO and Aranesp administered to ESRD patients in the renal department and home program identified on Worksheet B-2, lines 1, 2, 3 or 4.*

Worksheet I-1, Part I, Column 1, <u>Line Number</u>	<u>General Service Cost Centers</u>	Worksheet B, Part I, Lines 57 or 64, <u>Columns</u>
18	Old Capital-Related Costs- Buildings and Fixtures	1
19	Old Capital-Related Costs- Moveable Equipment	2
20	New Capital-Related Costs- Buildings and Fixtures	3
21	New Capital-Related Costs- Moveable Equipment	4
22	Employee Benefits	5
23	Administrative and General	6

24	Maintenance & Repairs, Operation of Plant and Housekeeping	Sum of 7, 8, and 10
25	Medical Education Programs	Sum of 21, 22, 23, 24, and 26 (medical education only)
26	Central Services & Supplies	15
27	Pharmacy	16
28	Other Allocated Costs	Sum of 9, 11, 12, 13, 14, 17, 18, 19, and 20

Line 29--Add lines 18 through 28. This total should agree with the total on Worksheet B, column 27, line 57 or line 64 if a home dialysis cost center was established.

Lines 30, 31, and 32--These lines provide for the allocation of costs associated with routine dialysis services furnished to renal patients from other ancillary departments. Multiply charges by the cost to charge ratio from Worksheet C, Part II for the appropriate department. For cost reporting periods beginning on and after August 1, 2000, enter the cost to charge ratio from Worksheet C, Part I, column 9. Payment for routine laboratory services, as defined in §E202 of the ESRD Appendix of the Hospital Manual, is paid for under the composite payment rate. No separate payment is made for routine laboratory tests. The costs of these services are allocated to the renal department based on the provider's laboratory cost to charge ratio as computed on Worksheet C, Part II, column 8, line 44. For cost reporting periods beginning on and after August 1, 2000, enter the cost to charge ratio from Worksheet C, Part I, column 9, line 44. Providers must maintain a log of routine laboratory charges for allocating routine laboratory costs to the renal department. The lab charges reported on Worksheet C do not include the lab charges for ESRD therefore those charges must be grossed up in accordance with PRM-1, § 2314. The cost to charge ratio must be recalculated and applied against the charges reported in column 3 of this worksheet. For cost reporting periods ending on or after April 30, 2003, ESRD charges will no longer be grossed up. Instead, the cost to charge ratio for lab charges reported on Worksheet C will be used.

Line 33--Enter the sum lines 29 through 32.

3652. WORKSHEET I-2 - ALLOCATION OF RENAL DEPARTMENT COSTS TO TREATMENT MODALITIES

The purpose of this schedule is to allocate costs to the different services furnished in the renal department. Line 1 combine the costs reported on Worksheet I-1 for allocating costs to the different services furnished in the renal department.

Line 1--Add the costs from Worksheet I-1, and transfer these amounts to line 1 in the following manner:

<u>Worksheet I-2</u>	<u>Worksheet I-2 Column</u>	<u>Worksheet I-1</u>
Capital & Main Building Costs	1	Sum of lines 11, 18, 20, and 24
Capital, Machine & Repair Costs	2	Sum of lines 12, 13, 19, and 21
Registered Nurses Direct Patient Care Salary	3	Line 1
Other Direct Patient Care Salary	4	Sum of lines 2, 3, 4, 5, and 6
Employee Benefits	5	Sum of lines 10 and 22
Drugs	6	Sum of lines 15 and 27
Medical Supplies	7	Sum of lines 14 and 26
Routine Ancillary Services	8	Sum of lines 30, 31, and 32
Subtotal	9	Not applicable
Overhead	10	Sum of lines 7, 8, 16, 23, and 28

Complete columns 1 through 8 and 10 in conjunction with Worksheet I-3, which contains the statistical bases for allocating costs to the proper lines. For each line item in columns 1 through 8 and 10, multiply the statistic entered in the corresponding line and column of Worksheet I-3 by the unit cost multiplier on line 17.

Lines 2 through 11--These lines identify the type of dialysis treatments that are paid for under the composite payment rate system. The total costs (column 11) for these individual dialysis services are transferred to Worksheet I-4.

Transfer the total on Worksheet I-2, column 11 to Worksheet I-4 per the following instructions.

<u>From Worksheet I-2, Column 11</u>	<u>To Worksheet I-4, Column 2</u>
Line 2	Line 1
Line 3	Line 2
Line 4	Line 3

Line 5	Line 4
Line 6	Line 5
Line 7	Line 6
Line 8	Line 7
Line 9	Line 8
Line 10	Line 9
Line 11	Line 10

If you complete a Worksheet I-2 for the renal department and the home program dialysis department, complete a separate Worksheet I-4.

Lines 12 through 15--These services are not paid for under the composite payment rate system. Therefore, the costs of these services are not transferred to Worksheet I-4. Exclude these costs in the calculation of reimbursement composite payment rate bad debts. (See 42 CFR 413.170(e).)

Line 12--Report inpatient costs. Inpatient dialysis services are paid under the DRG system for Medicare patients.

Line 13--Report the costs of support services furnished to Method II home patients. Payment for Method II home patient dialysis services are subject to the rules in 42 CFR 414.330. Under Method II, a renal provider is only allowed to bill for support services and not dialysis equipment or supplies. Payment for support services is limited to the lower of the provider's reasonable cost or the payment limit as defined in the regulation, which is \$125 per patient per month. This amount includes payment for support services and routine laboratory tests furnished to home patients.

Line 14--Report the direct costs of EPO net of discounts furnished in the renal department. Include all costs for patients receiving outpatient, home, or training dialysis treatments. This amount includes EPO cost furnished in the renal department or any other department if furnished to an end stage renal dialysis patient. Enter EPO amount for informational purposes only. This amount is not included in the total on line 16.

Line 14.01--Report the direct costs of Aranesp net of discounts furnished in the renal department. Include all costs for patients receiving outpatient, home, or training dialysis treatments. This amount includes Aranesp cost furnished in the renal department or any other department if furnished to an end stage renal dialysis patient. Enter Aranesp amount for informational purposes only. This amount is not included in the total on line 16.

Line 15--Report the costs of other services furnished and billed in the renal department that are paid for outside the composite payment rate.

Line 16--Add columns and enter totals. Since lines 14 and 14.01, column 9 are shaded, no costs for EPO and Aranesp are included in the total for line 16, column 9 and column 6, lines 14 and 14.01 should be excluded from total.

Line 17--Enter the amount of medical educational program costs from Worksheet I-1, line 25. Payment for medical educational program costs allocated to the renal department is not included in the composite payment rate.

Line 18--Add lines 16 and 17. This total agrees with the sum of Worksheet I-1, column 1, line 33.

Column Description

Columns 1 through 8--For each line, multiply the unit cost multiplier on Worksheet I-3, line 17 by the statistical base, and enter the result on the corresponding line and column on Worksheet I-2.

Column 9--Add columns 1 through 8 for each line, except lines 14 (EPO) and 14.01 (Aranesp), and enter the total.

Column 10--Multiply the unit cost multiplier on Worksheet I-3, column 10, line 17 by the line amounts in column 9 of Worksheet I-2, and enter the amount in column 10.

Column 11--Add columns 9 and 10 for each line, and enter the result.

3653. WORKSHEET I-3 - DIRECT AND INDIRECT RENAL DIALYSIS COST ALLOCATION - STATISTICAL BASIS

To accomplish the allocation of your direct and indirect costs reported on Worksheet I-1 to the different services provided in the department, you must maintain renal department statistics. To facilitate the allocation process, the format of Worksheets I-2 and I-3 is identical.

Line 1--Transfer the amounts on Worksheet I-2, line 1, columns 1 through 10 to Worksheet I-3, line 1, columns 1 through 10.

Lines 2 through 15--Enter on these lines and in the appropriate columns, the statistic for allocating costs to the appropriate line item. The statistical basis used in each column is defined in the column heading and on Worksheet I-1.

NOTE: If you wish to change your allocation basis for a particular general cost center, you must receive written approval from your intermediary before the start of your cost reporting period for which the alternative method is used. (See §3617 for Worksheets B and B-1.)

Line 12--Enter, in the area provided, the number of inpatient dialysis treatments furnished during the cost reporting period.

Line 16--Add the statistical basis for each column, except columns 9 and 10.

Line 17--Calculate the unit cost multiplier by dividing the amount on line 1 by the total statistical basis on line 16 for each column. Multiply the unit cost multiplier by the statistical base, and enter the cost on the appropriate line and column number on Worksheet I-2.

Column Descriptions

Column 1--Use the square footage of the renal department to allocate capital and maintenance building costs.

Column 2--Use percentage of time to allocate capital and maintenance equipment costs.

Columns 3 and 4--Use paid hours to allocate registered nurses and direct patient care salary.

Column 5--Use total direct patient care salaries in columns 4 and 5 of Worksheet I-2 to allocate employee benefits.

Columns 6 and 7--Use cost of requisitions to allocate drug and medical supply costs.

Column 8--Use routine laboratory charges to allocate laboratory costs.

Column 10--Use subtotal costs in column 9, Worksheet I-2 to allocate overhead cost. To compute the unit cost multiplier, transfer the amount from Worksheet I-2, line 16, column 9 to Worksheet I-3, line 16, column 10. Do not allocate overhead costs to lines 14 (EPO) or 14.01 (Aranesp).

3654. WORKSHEET I-4 - COMPUTATION OF AVERAGE COST PER TREATMENT FOR OUTPATIENT RENAL DIALYSIS

This worksheet records the apportionment of total outpatient cost to the types of dialysis treatment furnished by you and shows the computation of expenses of dialysis items and services that you furnished to Medicare dialysis patients. This information is used for overall program evaluation, determining the appropriateness of program reimbursement rates, and meeting statutory requirements for determining the cost of ESRD care.

Complete a separate worksheet for reporting costs for the renal dialysis department and the home program dialysis department. If the cost reporting period covers a time when you had more than one rate for a particular treatment type, complete a separate Worksheet I-4 for each rate.

If you have more than one renal dialysis and/or home dialysis department, submit one Worksheet I-4 combining the renal dialysis departments and/or one Worksheet I-4 combining the home dialysis departments. You must also have on file, as supporting documentation, a Worksheet I-4 for each renal dialysis department and one for each home dialysis department with appropriate workpapers. File this documentation with exception requests in accordance with CMS Pub. 15-1, §2720. Enter on the combined Worksheet I-4 each provider's satellite number if you are separately certified as a satellite facility.

In accordance with section 1881(b)(12)(A) of the Act, as added by section 623(d)(1) of MMA 2003, effective for services rendered on or after April 1, 2005, the ESRD payment is replaced by a calculated ESRD composite rate.

Columns 1 through 3 refer to total outpatient statistics, i.e., to all outpatient dialysis services furnished, whether reimbursed directly by the program or not.

Column 1--Enter on the appropriate lines the total number of outpatient treatments by type for all renal dialysis patients from your records. These statistics include all treatments furnished to all patients in the outpatient renal department, both Medicare and non-Medicare.

Column 2--Enter on the appropriate lines the total cost transferred from Worksheet I-2, columns 11, lines as appropriate.

Column 3--Determine the amounts entered on the appropriate lines by dividing the cost entered on each line in column 2 by the number of treatments entered on each line in column 1.

Line 9--Report continuous ambulatory peritoneal dialysis (CAPD) in terms of weeks. Compute patient weeks by totaling the number of weeks each Method I patient was dialyzed at home using CAPD.

Line 10--Report continuous cycling peritoneal dialysis (CCPD) in terms of weeks. Compute patient weeks by totaling the number of weeks each Method I patient was dialyzed at home by CCPD.

Medicare Treatments

Columns 4 through 7 refer only to treatments furnished to Medicare beneficiaries that were billed to the facility and reimbursed by the program directly. (Amounts entered in these columns are reconcilable to your records.)

Column 4--Enter on the appropriate lines the number of treatments billed to the Medicare program directly. Obtain this information from your records. For cost reporting periods which straddle April 1, 2005, subscript this column by adding column 4.01 to identify total treatments rendered on or after April 1, 2005. Enter in column 4 the total number of treatments rendered prior to April 1, 2005. For cost reporting periods beginning on or after April 1, 2005, eliminate column 4.01 and enter all treatments in column 4.

Column 5--Determine the amounts entered on the appropriate lines by multiplying the number of treatments entered on each line in column 4 by the average cost per treatment entered on the corresponding line in column 3. Transfer the total expenses from this column, line 11 to Worksheet I-5, line 1. If you complete separate Worksheets I-2 and I-3, add the sum of the cost from this column, line 11, and transfer the total to Worksheet I-5, line 1. For cost reporting periods which straddle April 1, 2005, enter the result of column 3 times the sum of columns 4 and 4.01.

Column 6--Enter your Medicare program payment rates by the type of treatment for the reporting period. If the cost reporting period covers a time when you had more than one rate for a particular treatment type (e.g., the composite rate may have been updated or an exception amount approved during the period), complete a separate Worksheet I-4 for columns 4 through 7 to calculate the total payment due for each composite rate. When you complete a separate Worksheet I-4 because more than one payment rate was in effect during the cost reporting period, do not complete column 6 on the summary worksheet I-4. Columns 4, 5, and 7 consist of the sum of the total computed on the separate Worksheets I-4 for each payment rate. For cost reporting periods which straddle April 1, 2005, subscript this column by adding column 6.01 and enter the average composite rate by type of treatment for services rendered on or after April 1, 2005. Enter in column 6 the standard payment rate for services rendered prior to April 1, 2005. For cost reporting periods beginning on or after April 1, 2005, eliminate column 6.01 and enter all average composite rates in column 6.

The ESRD composite payment rate is an average payment calculated based on the total Medicare payments by type of treatment divided by the total ESRD treatments. For cost reporting periods which straddle April 1, 2005, columns 4 and 6 must be subscripted. (see CR 3720 dated February 18, 2005)

Column 7--Determine the amounts entered on the appropriate lines by multiplying the number of treatments entered on each line in column 4 by the payment rate entered on each corresponding line in column 6. For cost reporting periods which straddle April 1, 2005, add results of column 4 times column 6 and column 4.01 times column 6.01.

Line 11--Transfer the total payment from this column, line 11 to Worksheet I-5, line 2. If you complete separate worksheets (as a result of the updating of the composite payment rate during the period), add the sum of the cost from this column, line 11 and transfer the total to Worksheet I-5, line 2.

3655. WORKSHEET I-5 - CALCULATION OF REIMBURSABLE BAD DEBTS - TITLE XVIII, PART B

This worksheet provides for the calculation of reimbursable Part B bad debts relating to outpatient renal dialysis treatments. If you have completed more than one Worksheet I-2 (i.e., one for renal dialysis department and one for home program dialysis), make a consolidated bad debt computation.

Line 1--Enter the amount from Worksheet I-4, column 5, line 11. If you complete more than one Worksheet I-4, enter the sum of the total from each Worksheet I-4, column 5, line 11.

Line 2--Enter the amount from Worksheet I-4, column 7, line 11 (net of deductibles). If you complete more than one Worksheet I-4, enter the sum of the total from each Worksheet I-4, column 7, line 11.

Line 3--Enter the amount shown in your records for deductibles billed to Medicare (Part B) for dialysis treatments.

Line 4--Enter the amount shown in your records for coinsurance billed to Medicare (Part B) for dialysis treatments.

The amounts on lines 3 and 4 must exclude coinsurance and deductible amounts for services other than dialysis treatments (e.g., Epoetin).

Line 5--Enter the uncollectible portion of the amounts entered on lines 3 and 4 reduced by any amount recovered during the cost reporting period.

Line 5.01--Enter the gross reimbursable bad debts for dual eligible beneficiaries. This amount is reported for statistical purposes only. This amount must also be included in the amount on line 5. (4/1/2004b)

Line 6--Enter the sum of lines 3 and 4, less line 5.

Line 7--Subtract line 3 from line 2, and enter 80 percent of the difference.

Line 8--Subtract the sum of lines 6 and 7 from the lesser of lines 1 or 2, and enter the difference. If the result is negative, enter zero and do not complete line 9.

Line 9--Enter the lesser of line 5 or line 8. Transfer this amount to Worksheet E, Part B, line 26.