



# Rural Link

Up-to-date information for Rural Health Hospitals

April 2010

Volume 2, Number 2



Sign up now for our FREE Rural Link for the most up-to-date information on news and regulations affecting Rural Health Hospitals today.

Email Michele Causley to sign up!  
[mcausley@TheRybarGroup.com](mailto:mcausley@TheRybarGroup.com)

## Rural Link Tip

Certain allocation and election changes to the cost report may require permission from the Fiscal Intermediary that must be requested 90 days prior to the end of the fiscal year. Do not wait, call The Rybar Group now and schedule your Medicare cost report review.

## The Rybar Group

3150 Owen Road  
Fenton, MI 48430

810-750-6822  
810-750-6733 fax

[www.TheRybarGroup.com](http://www.TheRybarGroup.com)



## Low Volume Adjustment Series Part 4: Annual Cost Report Reviews

The Rural Link is presenting a series on the Medicare Low Volume Adjustment (LVA), which is a payment made to a Sole Community (SCH) or Medicare Dependent (MDH) Hospital that experiences, due to circumstances beyond its control, a decrease of more than 5 percent in its total number of inpatient discharges from one cost reporting period to the next. Parts one through three of the series addressed accurately reporting inpatient discharges; monitoring core nursing staff levels; and documentation requirements in order to submit a request.

The fourth and final topic in this series discusses the importance of reviewing the Medicare cost report annually and how it relates to a potential LVA and other reimbursement opportunities.

The LVA payment amount is based upon the cost of providing inpatient services to Medicare patients as calculated in the Medicare cost report. When preparing the cost report, certain elections and allocations can be made, consistent with Medicare regulations that will directly impact the calculation of costs and optimize a potential LVA payment. Even in a fiscal year when there is no LVA opportunity, reviewing the cost report structure is still crucial. Since the LVA payment is limited to the prior year's updated costs, each cost report should be viewed as a possible base-year for setting the next year's LVA cap in the event a qualifying volume decline occurs.

The proper calculation of Medicare inpatient costs may also impact a Provider's future Hospital Specific Rate (HSR) calculation. CMS does not give advance notice regarding which year will be used as a base year to determine the HSR. The HSR for SCHs was recently re-based using FY 2006 cost report data and went into effect during 2009. Previously, the HSR was based on updated costs from 1996, a time span of 10 years; therefore, ensuring each year's inpatient costs are optimized can have a long-term impact on future Medicare reimbursement. This is particularly important for Providers that currently have MDH status. The most recent HSR base year for an MDH is 2002; therefore if this program continues to be extended, these Providers can likely expect an update to the base year in the near future.

Significant declines in volume that result in a low volume opportunity are unanticipated; updates to the re-base year for the HSR calculation are not announced in advance. These unknowns, combined with the reimbursement impact the Medicare cost report can have, highlight the importance of conducting annual cost report reviews as part of a long term strategy to take full advantage of all available Medicare reimbursement opportunities.

Please call or email Michele Causley if you have any questions.



810-750-6822 ext. 180



[mcausley@TheRybarGroup.com](mailto:mcausley@TheRybarGroup.com)