Cost Settlement Update

Colleen Bridger, MPH, PhD
Orange County Public Health Director

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COST SETTLEMENT OVERVIEW

- Annually, Health Departments receive Medicaid Cost Settlements
  - Federal Share of difference between cost to provide Medicaid services and Medicaid reimbursement
  - ~ $20 million per year
  - Rules governing settlement process contained in a State Plan Amendment (SPA)
  - Cost settlement funds can be used in the clinic that generated the revenue and cannot supplant existing county funding

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CHANGES OVERVIEW

- Centers of Medicare and Medicaid services (CMS) changed the way the calculation was made to make it easier to audit
- Changes went into effect in the 2014 SPA, and DMA was instructed to retroactively apply this change to 2011 cost reports
- After negotiations facilitated by NCACC staff DMA decided not to retroactively apply the changes to 2011 and 2012

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CHANGES OVERVIEW (CONTINUED)

- DMA asked permission from CMS to not apply the changes retroactively to 2013
  - We are still awaiting that decision
- New changes implemented starting with the 2014 cost report (done in 2015)
- These changes mean that if the visit wasn't successfully billed, it won't count toward cost settlement
- Health Departments were given no time to prepare for this change

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WHY DOES THIS MATTER?

- CPT billing is relatively new for local health departments
- Huge variability in billing accuracy from below 50% to 90+%
- The higher your billing accuracy, the more you've maximized your cost settlement payment
  - If Medicaid didn't pay a claim for a service, for cost settlement purposes, it didn't happen
  - Many Health Departments saw a decrease in funding as a result

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SO WHAT SHOULD WE DO?

- Ask your Health Director what your HD billing accuracy percent is
  - 2015 was the first year this information was available

- Invest in Billing
  - New positions
  - Training
  - Electronic Health Records
  - Etc.…

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WHAT ELSE?

- There was a one time allocation of ~$14 million in the recently approved NC budget to offset losses associated with this change
  - It doesn’t completely neutralize the loss, but helps considerably
- These funds, while technically state funds, will need to be treated like cost settlement funds with the same strings attached
- As health departments adapt to the new rules, the potential exists for them to see the same if not more funds as before the change

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Thank You!

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