



Cost-reporting

Capturing What's Important for Your Business to
Provide What's Important for Your Patients



COLORADO
Department of Health Care
Policy & Financing



Agenda

- Learning objectives
- Provider licensure and payment background
- Core cost reporting concepts and resources
- Core competencies to support cost reporting

Learning Objectives

- Participants will be able to identify, at a conceptual level, how cost reports are used to inform prospective payment system (PPS) rate development.
- Participants will be able to describe the general capabilities and infrastructure needs required to implement a cost reporting process.
- Participants will be able to distinguish several key concepts, at a conceptual level, related to cost reporting such as allowable and unallowable costs.
- Participants will be able to recognize where to find examples of current cost reporting requirements from the national CCBHC demonstration and from Colorado's current cost reporting processes.



Provider Licensure and Payment Background

Who needs to submit cost
reports and why?

Background

- Colorado licensure types
- Medicaid payment models for safety net providers
- How cost reports support payment models



Two Types of Approved Behavioral Health Safety Net Providers

Comprehensive Safety Net Providers

- Providers with a Behavioral Health Entity (BHE) license from the BHA
- Offer *ALL* of the following services directly or through contracted agreement:
 - Emergency and crisis behavioral health services
 - Mental health and substance use outpatient services
 - Behavioral health high-intensity outpatient services
 - Care management
 - Outreach, education, and engagement services
 - Mental health and substance use recovery supports
 - Outpatient competency restoration
 - Screening, assessment, and diagnosis, including risk assessment
 - Crisis planning, and monitoring to key health indicators

Essential Safety Net Providers

- Providers with a Behavioral Health Entity (BHE) license from the BHA or providers approved by the BHA to deliver care coordination *and* at least one of the following services:
 - Emergency or crisis behavioral health services
 - Behavioral health outpatient services
 - Behavioral health high-intensity outpatient services
 - Behavioral health residential services
 - Withdrawal management services
 - Behavioral health inpatient services
 - Integrated care services
 - Hospital alternatives
 - Additional services that the BHA determines are necessary in a region or throughout the state



Payment Models for BH Safety Net Providers

Payment Stability
and Flexibility

System Quality and
Accountability

**Comprehensive Community Behavioral
Health Provider**

Eligible for cost-based **Prospective Payment
System (PPS)** from HCPF July 1, 2024.

**Essential Behavioral Health Safety
Net Provider**

Eligible for **Essential Rate Model** from HCPF
July 1, 2024.



Payment Model for Comprehensive Providers

Comprehensive Community Behavioral Health Provider

Eligible for cost-based Prospective Payment System (PPS) from HCPF July 1, 2024.

- Payment model that pays providers a standard rate for any qualifying encounter with a patient, regardless of what or how many specific services were rendered
 - Provider-specific, cost-based encounter rate
- Key benefits:
 - Provides steady payments for providers and allows for more flexibility in funding
 - Incentivizes quality over quantity of services, which enhances service delivery and access



Cost Reporting and the PPS

- Each provider receives a provider-specific rate that is designed to cover the provider's expected cost of rendering services
- Cost reporting is essential to the development of a PPS rate
- The daily PPS rate is based on a provider's total allowable costs divided by the total number of encounters during the cost reporting period
- Medicaid will include additional adjustments such as cost growth trend to ensure the PPS rate reflects current period cost

$$\text{Daily PPS Rate} = \frac{\text{Total Allowable Costs}}{\text{Count of Encounters}} + \text{Adjustments}$$



Exercise

1. Which behavioral health safety net provider types are paid via a Prospective Payment System in Medicaid?
 - a. Essential providers
 - b. Comprehensive providers
 - c. Both
 - d. Neither
2. Which payment model requires providers to submit cost reports?
 - a. Essential Provider Fee Schedule
 - b. Prospective Payment System
 - c. Both
 - d. Neither



Exercise (continued)

1. Which behavioral health safety net provider types are paid via a Prospective Payment System in Medicaid?
 - a. Essential providers
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 - c. Both
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 - c. Both
 - d. Neither





Core Cost Reporting Concepts and Resources

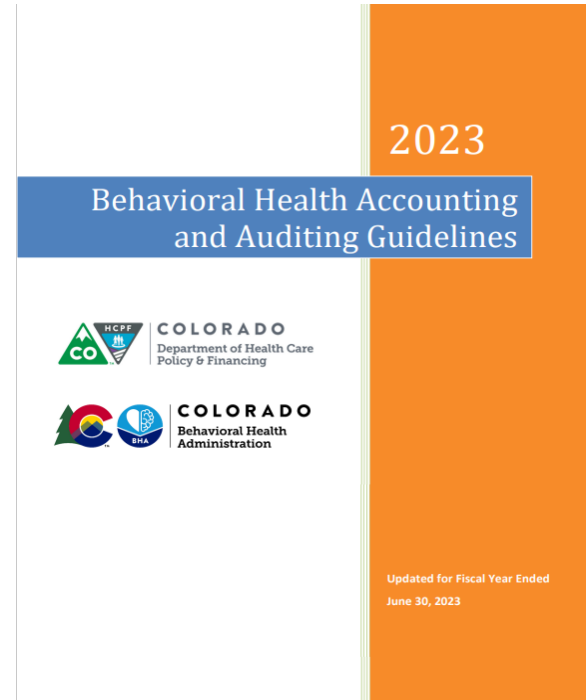
Key concepts and resources to
support understanding the cost
reporting process

Core Cost Reporting Concepts and Resources (continued)

- Cost Reporting Guidelines
- Cost Accounting Standards
- Auditing and Financial Reporting Guidelines

Cost Reporting Guidelines

- The state publishes the “**Behavioral Health Accounting and Auditing Guidelines**” (A & A Guidelines) annually.
- The A&A Guidelines, together with the "American Institute of Certified Public Accountants (AICPA) Audit and Accounting Guide, Health Care Entities":
 - Provide guidelines for recording and reporting revenues and expenses of Colorado’s behavioral health services delivery system
 - Provide a comprehensive cost reporting system for Colorado’s behavioral health providers



[Behavioral Health Rate Reform | Colorado](#)
[Department of Health Care Policy & Financing](#)

Cost Accounting Standards

The 2023 A&A Guidelines (updated annually) describe **7 standards** that are designed to promote consistency in cost accounting and cost reporting methods along with adequate cost accounting records for behavioral health operations.

1. **Consistency of Costs:** consistent cost accumulation and reporting, classification of costs, allocation of indirect costs, and uniform data reporting is essential for ensuring costs are accurately and appropriately reported.
2. **Natural and Functional Classifications:** accounting standards require classifying expenses into natural and functional categories. The functional classification groups expenses based on their purpose (e.g., program services), while the natural classification categorizes expenditures by their nature (e.g., salaries, supplies).

Cost Accounting Standards (continued)

- 3. Direct and Indirect Cost Definitions:** providers must consistently classify costs as either direct or indirect. Direct costs are traceable to specific cost centers or programs, including both service costs (e.g., salaries) and administrative/operating costs. Indirect costs, benefiting the entire facility or multiple programs, remain less assignable to specific centers or programs.
- 4. Cost Allocation Methodologies:** costs must be either assigned or allocated to the appropriate cost centers and/or programs. The methodology for allocating costs varies for direct and indirect.
- 5. Unallowable Costs:** not all costs are allowable for reimbursement by the state or are only allowable in certain circumstances. For example, costs for alcoholic beverages or personal gifts are unallowable.
- 6. Rules for Recipients of Block Grant Funds:** additional requirements or restrictions may apply to recipients of Block Grant funds for Prevention and Treatment of Substance Abuse.
- 7. Reporting Period:** reported costs are limited to the defined cost reporting period.

Auditing and Financial

The A&A guidelines specify the accounting treatment for assets, liabilities, net assets, revenue and expenses. However, the guidelines, as well as detailed methods for applying them, are best referenced in the most recent edition of the American Institute of Certified Public Accountants Audit and Accounting Guide, Health Care Entities.

The A&A guidelines note any specific behavioral health service issues (e.g., how to report expenses correctly for services such as withdrawal management or for a Crisis Services Unit).



Exercise #2

1. Which item below refers to a document that details the policies and principles for cost reporting?
 - a. Cost Centers
 - b. Allocation Methodologies
 - c. BH Accounting and Auditing Guidelines
 - d. Allowable Costs

2. Which item below refers to excluding costs that are not reimbursable by the state?
 - a. Allocation methodologies
 - b. Unallowable costs
 - c. Direct and indirect costs
 - d. None of the above



Exercise #2 (continued)

1. Which item below refers to a document that details the policies and principles for cost reporting?
 - a. Cost Centers
 - b. Allocation Methodologies
 - c. BH Accounting and Auditing Guidelines
 - d. Allowable Costs

2. Which item below refers to excluding costs that are not reimbursable by the state?
 - a. Allocation methodologies
 - b. Unallowable costs
 - c. Direct and indirect costs
 - d. None of the above



Additional Cost Reporting Resources

The Department of Health Care Policy and Financing has several cost reporting resources available at the following link: [Behavioral Health Rate Reform | Colorado Department of Health Care Policy & Financing.](#)

- Current Cost Reporting Guidelines
- PPS Rate Setting Documentation (forthcoming)
- Cost Reporting Templates
- Completed Cost Reports
- Contact Information

Note: Cost reporting documentation reflects guidance that supports the current Community Mental Health Center reimbursement methodology. Documentation will be updated to reflect what is needed for the PPS as it becomes available.



Core Competencies to Support Cost Reporting

Capabilities your organization needs to succeed at cost reporting

Core Competencies to Support Cost Reporting (continued)

Not all comprehensive safety net providers will have experience with cost reporting and will need to develop the internal capacity to complete the process in accordance with all federal and state requirements. The following are key competencies and infrastructure providers will need to report costs:



Understanding of PPS Rate Setting: Providers must comprehend the intricacies of PPS rate setting, which involves determining reimbursement rates based on specific criteria.



Accurate Cost Reporting: Providers must maintain detailed, accurate, and consistent records of costs for both direct and indirect expenses.



Financial Auditing and Compliance: Providers must know, understand, and adhere to all applicable regulatory guidance related to cost reporting.



Data Collection and Documentation: Providers must have the infrastructure in place to comprehensively track and document both costs and services provided.

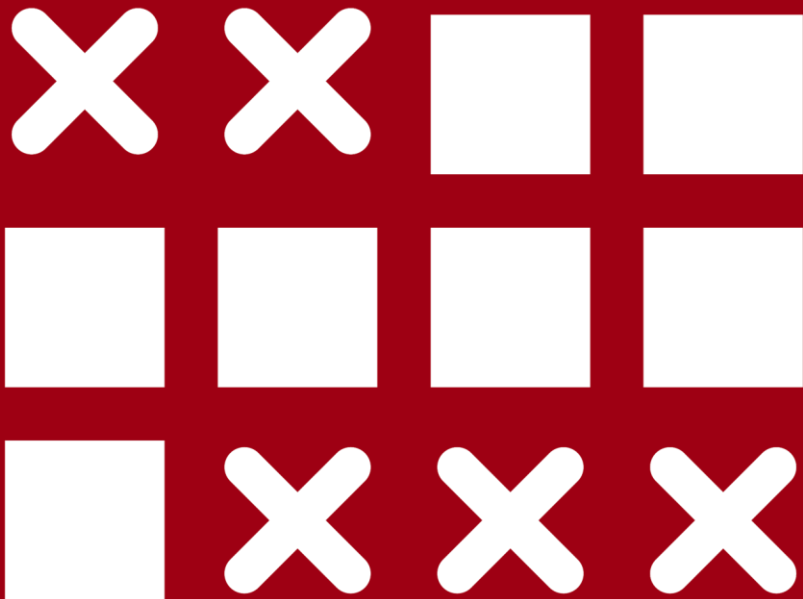


Staffing: Providers must have staff with the right skillsets and capacity to support the cost reporting and utilization tracking processes.

Exercise to outline next steps for reporting costs

Based on the material presented, take a few minutes to note:

- What supports you think you will need to successfully implement a cost reporting structure.
- What additional capacity or competencies need to be developed within your organization to report costs to fidelity.
- Write down on paper 2-3 specific activities you can do to prepare your organization for the transition to or implementation of reporting costs.



To better inform our future trainings and request topics for office hours, please complete this short survey. Use the QR code or short URL to access it. Your feedback is important. Thank you!



<https://bit.ly/bhprovidertrainingsurvey>



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Appendix A: Additional Resources

Office Hours

Last Friday of the month (March-June) @ 12pm MST, [Register Here](#)

Listserv

Join the Listserv to receive notifications of trainings, technical assistance, and other stakeholder engagement opportunities: [Register Here](#)

HCPF Safety Net Provider Website

Visit the website for details on upcoming training topics and announcements, training recordings and presentation decks, FAQs and more: <https://hcpf.colorado.gov/safetynetproviders>

TTA Request Form and E-Mail

Request TTA support or share your ideas, questions and concerns about this effort using the [TTA Request Form](#) or e-mail questions and comments to: info@safetynetproviders.com

