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The Ins and Outs of Time Studies for CMS Cost Reporting

Ten-Minute Learning Series, Vol. 3

About the Ten-Minute Learning Series

We know your time is valuable. Our Ten-Minute Learning Series is designed to help you learn more about time studies and how to make them impactful in your organization. Each article is packed with information that you can read quickly. With a small investment of time, we aim to enhance your understanding of administering and improving time studies.

If you have a topic that would be interesting for us to cover, please let us know at **resources@timestudy.com**.

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About Time Study Inc.

Time Study is the first platform designed from the ground up to focus on the critical process of administering time studies in healthcare organizations. Our user-friendly software transforms time studies into an efficient, accurate, and insightful process. Health service organizations can prepare accurate financial reports in a fraction of the time while getting new insights that drive productivity and best practices. Meanwhile, practitioners can track in real-time for much greater accuracy and compliance.

Top hospitals around the country use Time Study to make the hospital work more efficiently and give staff a more rewarding experience on the job to guide them towards best practices that ultimately deliver better care to the patients.

To learn more, visit **timestudy.com**.

The Ins and Outs of Time Studies for CMS Cost Reporting

One of the most common uses of time studies in the healthcare sector is for reimbursement from the Centers for Medicare and Medicaid Services (CMS). Each year CMS requires a cost report to reimburse practitioners time spent on allowable time which totals well into the millions of dollars for many systems.

The key word being "reimbursement" sounds fun and easy, right? Well, only if you have the right systems in place to support your organization in collecting the data necessary for these cost report requirements.

Time studies are evidence for reimbursement claims. They show how a practitioner's time is spent, which impacts their reimbursement rate – so accuracy is essential.

However, time studies can also be an administrative burden, so figuring out the most efficient way to collect the data is paramount. Done well, one can reduce the time in collecting and structuring of time study data for the cost report so that those busy administrators can put their attention to other more impactful work.

This learning series will focus on the impact of time studies on your cost report submission. Time Studies are key to supporting the evidence and generating insights for the cost report and are a statistically significant sampling collection of time spent at work by your employees.

This piece is supported by the requirements and guidelines found at cms.gov and medicaid.gov.

Part 1 | **Breaking Down the Cost Report**

When we say cost report, we are grouping the Medicare and Medicaid cost reports into one overarching term. Both have the same foundational principle as a fiscal year cost report used to authenticate the reimbursements made by CMS to your organization.

Throughout this article we will differentiate when appropriate between Medicare and Medicaid cost report requirements.

Participants in Cost Reports

Think health services; this is the underlying commonality for all organizations required to complete a cost report for reimbursement from CMS. Below are some examples of the larger facilities, systems and entities at play:

- Urban Hospitals
- Rural Hospitals
- Federally Qualified Health Centers
- Local Education Agencies
- Department of Human Services
- Department of Developmental Services
- Tribal Health Services

To get more detailed, the following list shows some examples of types of practitioners or employees who provide healthcare services and are included in the cost report:

- Physicians
- Registered Nurses
- Occupational Therapists
- Clinical Psychologists
- Clinical Social Workers
- Administrators

Cost Report Structure

Reimbursement is detangled by the cost report to correctly validate reimbursement funds to the organization every year. There are many different areas of reimbursement that an organization has to provide evidence and accounting for in order to receive reimbursement funds and to safeguard against CMS audits.

The cost report can feel like a mammoth task to these organizations confronted with seemingly endless administrative demands with so many sections and exhibits to complete.

That's where time studies come in. Time studies provide accurate evidence for areas of the cost report with little administrative burden. They can also have a positive secondary effect on reimbursement as evidence for reasonable compensation equivalent adjustments through in the wage index.

We will dive deeper in the next section on the interplay of time studies and their impact on the cost report.

Part 2 | **Time Studies and the Cost Report**

Time Studies and Reimbursement

To break it down to the most fundamental level, the cost report relies on the percent of time spent by reimbursable time, non-reimbursable time, and excluded time for each time study participant

Reimbursable Time

As one may have guessed, reimbursable time is dependent on the organization and the population served. For example, a transplant center at a hospital that is reimbursed by Medicare is going to have differing activities of time for reimbursement on their time study compared to a local education agency reimbursed by Medicaid. Reimbursable time is often the time spent on administrative tasks; however other categorizations have been used to define reimbursable time such as Part A, Allowable or Provider Component.

Non-Reimbursable Time

Non-reimbursable time is time not reimbursed through the use of time studies. This is important to highlight because time studies are used to reimburse time that would otherwise fall through the cracks and not reviewed for reimbursement. Some other terms used to define this category are Part B, Non-allowable or Professional Component.

Excluded Time

Excluded time is time spent not working and is not included in the actual calculation of working time spent by the time study participant. Excluded time is also referred to as Other Time or Education/PTO/Away Time.

Within these broader categories are sub-activities where time is spent by the time study participant. These sub-activities of time differ by organization, population of study, and cost report.

SIDEBAR | Examples of How Time Is Categorized

Let's review an example to put this into context. We will use the fictional transplant center we mentioned earlier located at an urban hospital.

A. Reimbursable Time

At the Transplant Center, reimbursable time is pre-transplant administrative time. And further defined by the following administrative activities:

- Organ acquisition management
- Pre-Transplant candidates management
- Living donor management
- Pre-transplant management

B. Non-reimbursable Time

Whereas non-reimbursable time is all other time not pertaining to pre-transplant administrative time such as:

- Inpatient Services
- Post-Transplant Services
- Research
- Non-transplant related duties or other administrative meetings

C. Excluded Time

Excluded time is more broadly defined as education, PTO (paid time off) and Away time. The following are some activities that fall under this category:

- Educational Conference Attendance
- Professional Journal Readings
- Vacation
- FMLA (Family and Medical Leave)

Now, this example was specific to a transplant center. As previously stated, these activities differ by organization and population served; yet have the same foundational goal which is to discover where time study participants are spending their time in reimbursable, non-reimbursable, and excluded activities of interest.

What to Know About the Wage Index

The complexities of the cost report are not addressed by the very simplistic calculation of the percent of time spent by a time study participant in the reimbursable, non-reimbursable and excluded areas of time. Instead this is the basic philosophy that is further adjusted by factors such as reasonable compensation equivalents (RCEs). Time studies collect this data and further adjust the analytics to provide these insights.

Focusing on adjusting time spent based on the RCE; the RCE is the compensation consistent with the majority of other individuals in that job role for the geographic area of reference. RCEs limit the dollar amount reimbursed to each job role by essentially capping the amount of reimbursement so that an organization can not reimburse more to an individual by simply paying them more.

RCEs are updated annually and refer to the cost report as one of their major sources of evidence to generate the average salary value by geographic area for each job role. Therefore, because accurate time study reporting includes participant details such as specialty and salary, organizations often rely on the time study reporting to, in turn, evidence the wage index and influence proper adjustment to RCE limits and receive more accurate reimbursement.

Part 3 | **Maximizing the Impact of Time Studies**

Now that we have briefed the cost report and discussed how time studies have a significant role in the cost report, it's time to walk through how to maximize time studies impact.

Focus on Accuracy, Timeliness and Compliance

A time study system that motivates a high compliance rate and collects near-real time or close to real time data improves accuracy by reducing participant recall bias. The more accurate your time studies, the more protected your organization is to CMS audits. Additionally, higher compliance rates may positively impact your reimbursement outcomes.

Focus on:

- **Timeliness** – Show that participants completed the forms in real-time or near-real time during the collection period. Similarly, make sure the attestation is made immediately after the period closes and have an audit trail to show it. This increases the veracity of the report.
- **Accuracy** – Have a level of detail that accurately represents how the practitioner's days are being used, including having it align with other sources such as appointment calendars and electronic patient records.
- **Compliance** – Ensure that those who are selected complete the time study as directed rather than choosing to not participate. Low compliance rates mean less data and less data results in less accurate reporting findings.

Some key areas for a time study system to reach high compliance and accuracy is through real-time alerts, supporter management workflows, and sampling precision all within an easily accessible platform.

For more information on how to implement these strategies please see our whitepaper on **Keys to Successful Time Studies, Vol. 2**.
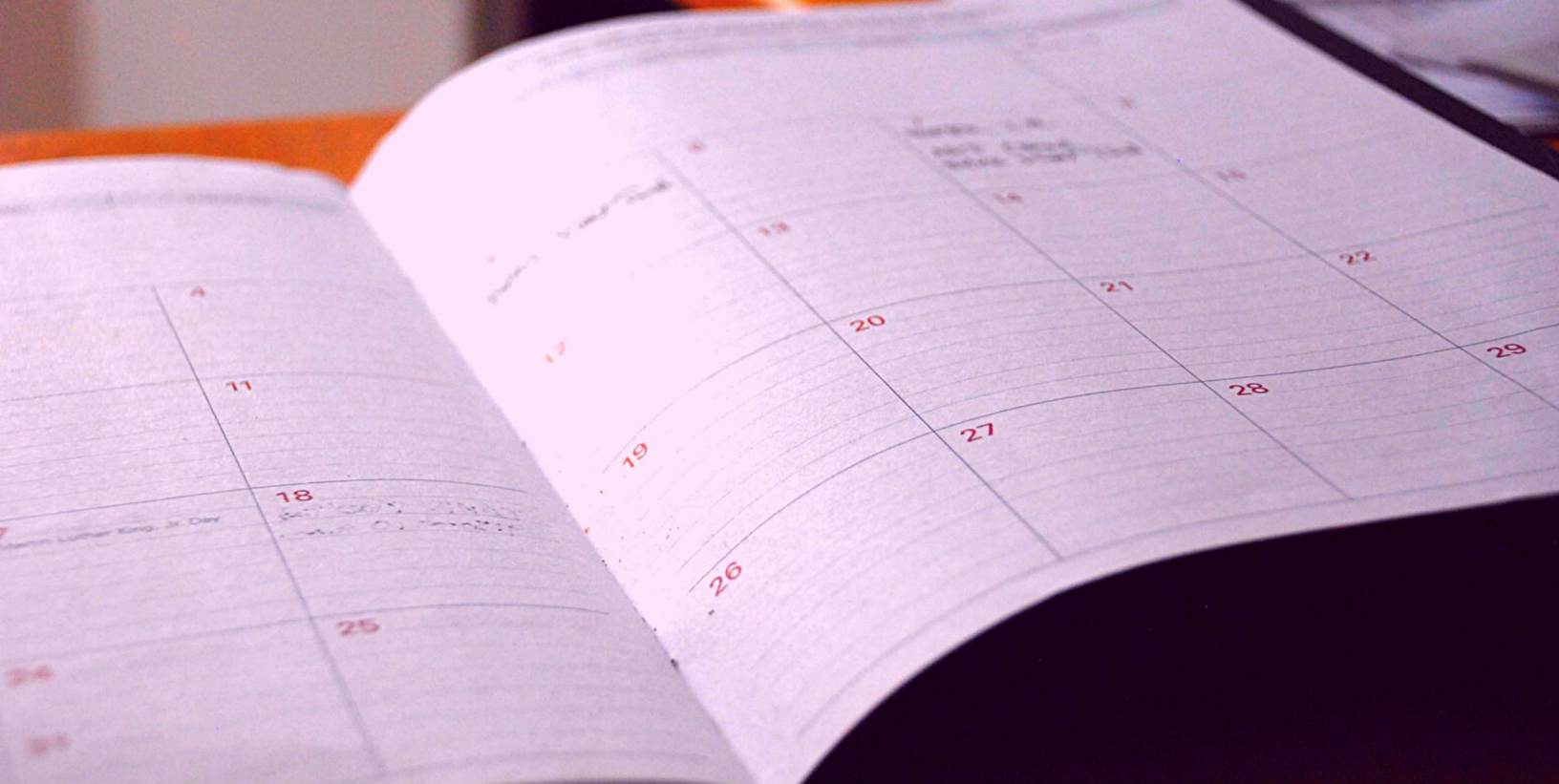
Annual Submission

The cost report is yearly and allows for several months after the end of your fiscal year to submit the cost report. Many organizations find themselves using this time to track down the data to then restructure it into the findings needed for the cost report. On top of all that, the cost report itself then needs to be filled out meticulously in order to ensure proper reimbursement and protect against audits.

Wouldn't you rather use those several months to maximize your time elsewhere? Running around trying to find the data and restructuring it to meet cost reporting needs is an administrative nightmare. Finding a solution that can have the data readily accessible and structured while obtaining the highest level of accuracy and compliance will not only benefit your cost report but will also save your employees time.

Sources

[1] "Cost Reports | CMS." Www.cms.gov, www.cms.gov/Research-Statistics-Data-and-Systems/Downloadable-Public-Use-Files/Cost-Reports.

[2] "Medicaid.gov: The Official U.S. Government Site for Medicare | Medicaid. 21 Feb. 2023, www.medicaid.gov.

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