

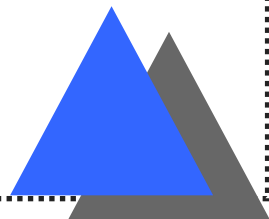


Cost Accounting: Do You Know Your Real Costs

2005 NAHC Financial Managers Conference

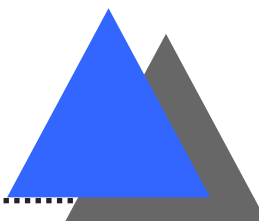
Pat Laff
Managing Principal
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Why Real Cost Accounting?

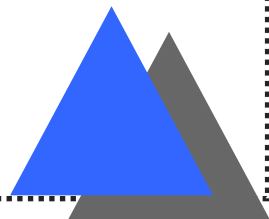
- x The Home Health Industry Has Used the Medicare Model of Cost Finding for Services and Products
 - Inappropriate Indirect Cost Allocation Statistics
 - Designed to Determine Medicare Provider Payments, Not Actual Costs
- 



Why Real Cost Accounting?

The Medicare Model of Cost
Finding:

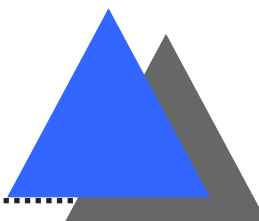
- x Is a Poor Indicator of Costs
- x Inaccurate Costs May Mislead
Management into Making
Incorrect Decisions





Knowledge of Accurate Costs

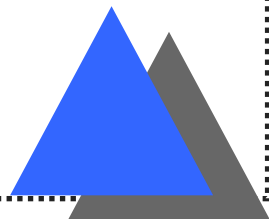
The Actual Real Costs of Services
and Products effect Decisions:

- x To Accept or Reject a Contract
 - x To Accept or Reject Pricing
 - x To Startup a New Service
 - x To Add a New Product
- 



Real Cost Accounting for Accurate Costs

- x Real Cost Accounting for Accurate Costs Will Assist You to Identify Why Real Cost Accounting Should Be Added to Your Repertoire of Decision Tools
 - Assist in System Design
 - Current and Future Services and Products

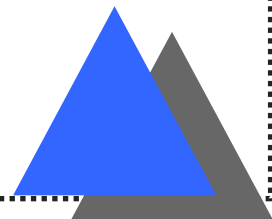




Real Cost Accounting for Accurate Costs

This Presentation Will:

- x Assist in Identifying the Need to Add Real Cost Accounting to Your Repertoire of Decision Tools
- x Assist in Designing a System That Will be Helpful for Current and Future Services and Products





Real Cost Accounting for Accurate Costs

This Presentation Contains Options
of Approach Based Upon the
Desired Degrees of Sophistication

The Greater the Number of Cost
Driver Statistics Used for Indirect
Cost Allocations, the Greater the
Accuracy

The Needs for Sophistication Must
be Assessed to Determine the
Optimum Approach



What a Home Health Agency Statement of Operations Should Look Like

OJF HOME HEALTH CARE SERVICE STATEMENT OF INCOME AND OPERATIONS FROM 07-01-2003 THRU 06-30-2004

		<u>PERIOD</u> <u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
<u>REVENUE</u>	<u>VISITS</u>			
SKILLED NURSING	29,200	\$3,942,000	\$3,688,000	\$254,000
PHYSICAL THERAPY	18,900	2,551,500	2,492,400	59,100
SPEECH THERAPY	800	108,000	100,300	7,700
OCCUPATIONAL THERAPY	4,000	540,000	507,600	32,400
MEDICAL SOCIAL SERVICE	600	81,000	76,500	4,500
HOME HEALTH AIDES	6,500	487,500	456,200	31,300
	60,000			
TOTAL VISIT REVENUE		\$7,710,000	\$7,321,000	\$389,000
MEDICAL SUPPLY REVENUE		295,000	267,000	28,000
MEDICARE HHRG VARIANCE		24,500	20,000	(4,500)
CONTRACTUAL ADJUSTMENTS		(767,400)	(775,000)	(7,600)
TOTAL NET REVENUE		\$7,262,100	\$6,833,000	\$404,900
<u>DIRECT COSTS</u>				
<u>DIRECT PERSONNEL</u>				
SKILLED NURSING		\$2,141,800	\$2,164,600	\$22,800
PHYSICAL THERAPY		1,483,800	1,303,300	(180,500)
SPEECH THERAPY		66,000	53,600	(12,400)
OCCUPATIONAL THERAPY		281,200	218,400	(62,801)
MEDICAL SOCIAL SERVICE		47,700	37,600	(10,099)
HOME HEALTH AIDE		314,700	229,400	(85,300)
TOTAL DIRECT PERSONNEL		\$4,335,200	\$4,006,900	(\$328,300)
BILLABLE MEDICAL SUPPLY COST		213,900	198,200	(15,700)
TELEMEDICINE EQUIPMENT		157,500	148,500	(9,000)
TOTAL DIRECT COST		\$4,706,600	\$4,353,600	(\$353,000)
<u>INDIRECT COSTS</u>				
INDIRECT PERSONNEL		\$1,260,400	\$1,204,700	(\$55,700)
OCCUPANCY COST		203,000	193,300	(9,700)
OFFICE EXPENSES		159,300	156,200	(3,099)
OTHER COSTS		204,900	248,700	43,800
TOTAL INDIRECT COSTS		\$1,827,600	\$1,802,900	(\$24,700)
TOTAL COSTS		\$6,534,200	\$6,156,500	(\$377,700)
NET INCOME		\$727,900	\$676,500	\$27,200

What a Home Health Agency Statement of Operations Should Look Like

DIRECT OPERATING COSTS

<u>DIRECT COSTS</u>	<u>PERIOD</u> <u>TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
SKILLED NURSING			
SALARIES - SUPERVISORS	\$300,000	\$250,000	(\$50,000)
SALARIES - STAFF	1,374,000	1,473,500	99,500
PAYROLL TAXES	140,600	144,800	4,200
EMPLOYEE BENEFITS	120,900	128,700	7,800
WORKER'S COMPENSATION	89,500	75,400	(14,100)
AUTO ALLOWANCE	116,800	92,200	(24,600)
TOTAL SKILLED NURSING	\$2,141,800	\$2,164,600	\$22,800
PHYSICAL THERAPY			
SALARIES - STAFF	\$614,300	\$540,000	(\$74,300)
PAYROLL TAXES	59,300	52,100	(7,200)
WORKER'S COMPENSATION	63,600	56,900	(6,700)
AUTO ALLOWANCE	37,800	31,200	(6,600)
CONTRACT AGENCY PERSONNEL	708,800	623,100	(85,700)
TOTAL PHYSICAL THERAPY	\$1,483,800	\$1,303,300	(\$180,500)
SPEECH THERAPY			
SALARIES - STAFF	\$52,000	\$43,500	(\$8,500)
PAYROLL TAXES	5,000	4,200	(800)
WORKER'S COMPENSATION	5,800	3,400	(2,400)
AUTO ALLOWANCE	3,200	2,500	(700)
TOTAL SPEECH THERAPY	\$66,000	\$53,600	(\$12,400)
OCCUPATIONAL THERAPY			
SALARIES - STAFF	\$130,000	\$93,100	(\$36,900)
PAYROLL TAXES	12,000	9,000	(3,000)
WORKER'S COMPENSATION	11,200	8,400	(2,800)
AUTO ALLOWANCE	8,000	6,400	(1,600)
CONTRACT AGENCY PERSONNEL	120,000	101,500	(18,500)
TOTAL OCCUPATIONAL THERAPY	\$281,200	\$218,400	(\$62,800)
MEDICAL SOCIAL SERVICE			
SALARIES - STAFF	\$39,000	\$30,600	(\$8,400)
PAYROLL TAXES	3,800	3,000	(800)
WORKER'S COMPENSATION	2,500	2,100	(400)
AUTO ALLOWANCE	2,400	1,900	(500)
TOTAL MEDICAL SOCIAL SERVICE	\$47,700	\$37,600	(\$10,100)
HOME HEALTH AIDES			
SALARIES - SUPERVISORS	\$50,000	\$50,000	
SALARIES - STAFF	162,500	95,300	(\$67,200)
PAYROLL TAXES	20,500	14,000	(6,501)
EMPLOYEE BENEFITS	21,300	14,500	(6,800)
WORKER'S COMPENSATION	34,400	32,800	(1,600)
AUTO ALLOWANCE	26,000	22,800	(3,200)
TOTAL HOME HEALTH AIDES	\$314,700	\$229,400	(\$85,300)
TOTAL DIRECT PERSONNEL	\$4,335,200	\$4,006,900	(\$328,300)

What a Home Health Agency Statement of Operations Should Look Like

DIRECT OPERATING COST CONTINUED

BILLABLE MEDICAL SUPPLIES

MEDICAL SUPPLIES	\$180,000	\$170,000	(\$10,000)
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ALLOCATED PERSONNEL COST

SALARIES - STAFF	\$30,000	\$25,000	(\$5,000)
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PAYROLL TAXES	2,900	2,400	(500)
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WORKER'S COMPENSATION	1,000	800	(200)
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TOTAL ALLOCATED PERSONNEL	<u>\$33,900</u>	<u>\$28,200</u>	<u>(\$5,700)</u>
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TOTAL BILLABLE MED. SUPPLIES	<u>\$213,900</u>	<u>\$198,200</u>	<u>(\$15,700)</u>
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TELEMEDICINE EQUIPMENT	<u>\$157,500</u>	<u>\$148,500</u>	<u>(\$9,000)</u>
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TOTAL DIRECT COSTS	<u>\$4,706,600</u>	<u>\$4,353,600</u>	<u>(\$353,000)</u>
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What a Home Health Agency Statement of Operations Should Look Like

INDIRECT OPERATING COSTS

<u>INDIRECT COSTS</u>	<u>PERIOD TOTAL</u>	<u>BUDGET</u>	<u>VARIANCE</u>
INDIRECT PERSONNEL			
SALARIES - ADMINISTRATOR	\$120,000	\$120,000	\$0
SALARIES - MEDICAL ADMINISTRATIVE			
CLINICAL MANAGER & QUALITY MANAGERS	\$230,000	\$230,000	
HOME CARE COORDINATORS	105,000	100,000	(\$5,000)
INTAKE STAFF	80,000	75,000	(5,000)
MEDICAL SOCIAL WORKER	30,000	27,000	(3,000)
MEDICAL DIRECTOR(S)	30,000	22,000	(8,000)
	<u>\$475,000</u>	<u>\$454,000</u>	<u>(\$21,000)</u>
SALARIES - CLERICAL STAFF	425,000	403,000	(22,000)
PAYROLL TAXES	70,500	67,600	(2,900)
EMPLOYEE BENEFITS	139,900	131,900	(8,000)
WORKER'S COMPENSATION	20,000	19,200	(800)
AUTO ALLOWANCE	10,000	9,000	(1,000)
TOTAL INDIRECT PERSONNEL	<u>\$1,260,400</u>	<u>\$1,204,700</u>	<u>(\$55,700)</u>
OCCUPANCY COSTS			
RENT	\$185,000	\$177,500	(\$7,500)
UTILITIES	12,000	10,800	(1,200)
REPAIRS & MAINTENANCE	6,000	5,000	(1,000)
TOTAL OCCUPANCY	<u>\$203,000</u>	<u>\$193,300</u>	<u>(\$9,700)</u>
OFFICE EXPENSES			
STATIONARY & PRINTING	\$10,500	\$10,300	(\$200)
OFFICE SUPPLIES & EXPENSE	40,700	60,400	19,700
TELEPHONE, BEEPERS & ANSWERING	36,800	25,100	(11,700)
POSTAGE	10,500	15,400	4,900
OFFICE EQUIPMENT RENTAL	36,700	25,000	(11,700)
DEPRECIATION-EQUIPMENT	24,100	20,000	(4,100)
TOTAL OFFICE EXPENSES	<u>\$159,300</u>	<u>\$156,200</u>	<u>(\$3,100)</u>
OTHER GENERAL COSTS			
DATA PROCESSING	\$40,000	\$43,500	\$3,500
RECRUITMENT	27,300	43,800	16,500
INSERVICE & STAFF EDUCATION	15,600	24,900	9,300
TRAVEL & CONFERENCE	19,500	18,700	(800)
DUES & SUBSCRIPTIONS	11,600	15,900	4,300
INSURANCE - GENERAL	17,500	13,700	(3,800)
INSURANCE - PROFESSIONAL LIABILITY	37,500	22,700	(14,800)
LEGAL & ACCOUNTING	15,000	30,000	15,000
INTEREST	15,600	23,700	8,100
AMORTIZATION - START-UP EXPENSE	0	0	0
ORGANIZATION EXPENSE	0	0	0
BAD DEBTS	3,700	9,500	5,800
MISCELLANEOUS	1,600	2,300	700
TOTAL OTHER GENERAL COSTS	<u>\$204,900</u>	<u>\$248,700</u>	<u>\$43,800</u>
TOTAL INDIRECT COST	<u>\$1,827,600</u>	<u>\$1,802,900</u>	<u>(\$24,700)</u>

**OJF HOME HEALTH CARE SERVICE
 COSTS PER UNITS OF SERVICE
 FROM 07-01-2003 THRU 06-30-2004**

MEDICARE COST REPORTING	<u>DIRECT COSTS</u>	<u>INDIRECT COSTS</u>	<u>TOTAL COSTS</u>
SKILLED NURSING	\$73.35	\$28.48	\$101.83
PHYSICAL THERAPY	\$78.51	\$30.49	\$108.99
SPEECH THERAPY	\$82.50	\$15.10	\$97.60
OCCUPATIONAL THERAPY	\$70.30	\$44.24	\$114.54
MEDICAL SOCIAL SERVICE	\$79.50	\$30.87	\$110.37
HOME HEALTH AIDE	\$48.42	\$18.80	\$67.22
MEDICAL SUPPLIES - PURCHASES	\$180,000		
PERSONNEL	<u>\$33,900</u>	\$213,900	\$83,059
TELEMEDICINE EQUIPMENT	\$157,500	\$61,158	\$218,658

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GENERAL METHODS OF COST ACCOUNTING

<u>INDIRECT COSTS</u>	<u>SKILLED NURSING</u>	<u>PHYSICAL THERAPY</u>	<u>SPEECH THERAPY</u>	<u>OCCUPAT. THERAPY</u>	<u>MEDICAL SOCIAL SERVICE</u>	<u>HOME HEALTH AIDES</u>	<u>BILLABLE MEDICAL SUPPLIES</u>	<u>ADMIN.</u>	<u>TELE-MEDICINE EQUIPMENT</u>	<u>TOTAL</u>
OCCUPANCY & EQUIPMENT	\$66,990	\$6,090	\$2,436	\$4,872	\$4,872	\$8,120	\$5,278	\$160,242		\$258,900
OTHER INDIRECT COSTS	810,908	524,856	22,700	111,088	16,649	180,555	36,188	(160,242)	26,000	1,568,700
	\$877,898	\$530,946	\$25,136	\$115,960	\$21,521	\$188,675	\$41,466	\$0	\$26,000	\$1,827,600
 VISITS	 29,200	 18,900	 800	 4,000	 600	 6,500				
PER VISIT	\$30.06	\$28.09	\$31.42	\$28.99	\$35.87	\$29.03				

OCCUPANCY AND EQUIPMENT COSTS HAVE BEEN ALLOCATED BASED UPON SQUARE FOOTAGE

OTHER INDIRECT COSTS HAVE BEEN ALLOCATED BASED UPON VISITS

GENERAL METHODS OF COST ACCOUNTING - SINGLE STATISTIC

				<u>VARIANCE</u>	
SKILLED NURSING		\$73.35	\$30.06	\$103.41	(\$1.58)
PHYSICAL THERAPY		\$78.51	\$28.09	\$106.60	\$2.39
SPEECH THERAPY		\$82.50	\$31.42	\$113.92	(\$16.32)
OCCUPATIONAL THERAPY		\$70.30	\$28.99	\$99.29	\$0.61
MEDICAL SOCIAL SERVICE		\$79.50	\$35.87	\$115.37	(\$5.00)
HOME HEALTH AIDE		\$48.42	\$29.03	\$77.44	(\$10.23)
MEDICAL SUPPLIES - PURCHASES	\$180,000				
PERSONNEL	\$33,900				
		\$213,900	\$41,466	\$255,366	\$41,592
TELEMEDICINE EQUIPMENT		\$157,500	\$26,000	\$183,500	\$35,159

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**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: CLINICAL MANAGER

STATISTICS: VISITS

COSTS TO BE ALLOCATED:

SALARY	\$230,000
PAYROLL TAXES	26,553
EMPLOYEE BENEFITS	19,926
WORKER'S COMPENSATION	3,967
AUTO ALLOWANCE	<u>4,025</u>
TOTAL	\$284,471

STATISTIC:

SKILLED NURSING	29,200
PHYSICAL THERAPY	18,900
SPEECH THERAPY	800
OCCUPATIONAL THERAPY	4,000
MEDICAL SOCIAL SERVICE	600
HOME HEALTH AIDES	<u>6,500</u>
TOTAL	60,000

ALLOCATION OF COSTS

SKILLED NURSING	\$138,442
PHYSICAL THERAPY	89,608
SPEECH THERAPY	3,793
OCCUPATIONAL THERAPY	18,965
MEDICAL SOCIAL SERVICE	2,845
HOME HEALTH AIDE	<u>30,818</u>
TOTAL	\$284,471

**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: HOME CARE COORDINATORS

STATISTIC: PATIENT CASES (DUPLICATED CENSUS)

COSTS TO BE ALLOCATED:

SALARIES	\$105,000
PAYROLL TAXES	8,060
EMPLOYEE BENEFITS	9,105
WORKERS' COMPENSATION	1,803
AUTO ALLOWANCE	<u>3,050</u>

TOTAL **\$127,018**

STATISTIC:

SKILLED NURSING	3,860
PHYSICAL THERAPY	1,820
SPEECH THERAPY	80
OCCUPATIONAL THERAPY	330
MEDICAL SOCIAL SERVICE	600
HOME HEALTH AIDE	1,090
BILLABLE MEDICAL SUPPLIES	760
TELEMEDICINE EQUIPMENT	<u>1,360</u>

TOTAL **9,900**

ALLOCATION OF COSTS

SKILLED NURSING	\$49,524
PHYSICAL THERAPY	23,351
SPEECH THERAPY	1,026
OCCUPATIONAL THERAPY	4,234
MEDICAL SOCIAL SERVICE	7,698
HOME HEALTH AIDE	13,985
BILLABLE MEDICAL SUPPLIES	9,751
TELEMEDICINE EQUIPMENT	<u>17,449</u>

TOTAL **\$127,018**

**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: PAYROLL DEPARTMENT

STATISTIC: PAID EMPLOYEES

COSTS TO BE ALLOCATED:

SALARIES	\$36,000
PAYROLL TAXES	\$2,775
EMPLOYEE BENEFITS	3,125
WORKERS' COMPENSATION	<u>625</u>

TOTAL **\$42,525**

STATISTIC:

SKILLED NURSING	52
PHYSICAL THERAPY	13
SPEECH THERAPY	3
OCCUPATIONAL THERAPY	4
MEDICAL SOCIAL SERVICE	3
HOME HEALTH AIDE	25
BILLABLE MEDICAL SUPPLIES	1
INDIRECT PERSONNEL	<u>28</u>

TOTAL **129**

ALLOCATION OF COSTS

SKILLED NURSING	\$17,142
PHYSICAL THERAPY	4,286
SPEECH THERAPY	989
OCCUPATIONAL THERAPY	1,319
MEDICAL SOCIAL SERVICE	989
HOME HEALTH AIDE	8,241
BILLABLE MEDICAL SUPPLIES	330
INDIRECT PERSONNEL	<u>9,230</u>

TOTAL **\$42,525**

**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: ALL OTHER INDIRECT COSTS

**STATISTIC: PATIENT CASES (DUPLICATED CENSUS) TO TOTAL DIRECT PERSONNEL
AND MEDICAL SUPPLIES**

COSTS TO BE ALLOCATED:

INDIRECT PERSONNEL	<u>\$1,260,400</u>
LESS:	
DIRECT COST ALLOCATIONS	
CLINICAL MANAGER	(284,471)
HOME CARE COORDINATORS	(127,018)
PAYROLL DEPARTMENT	<u>(33,295)</u>
NET INDIRECT PERSONNEL	<u>\$815,615</u>
OCCUPANCY COSTS	203,000
OFFICE EXPENSES	159,300
OTHER GENERAL COSTS	<u>204,900</u>
	\$567,200
LESS:	
DIRECT COST ALLOCATIONS	
OCCUPANCY & EQUIPMENT	<u>(98,658)</u>
	<u>\$468,542</u>
 TOTAL	 \$1,284,157

STATISTIC:

SKILLED NURSING	3,860
PHYSICAL THERAPY	1,820
SPEECH THERAPY	80
OCCUPATIONAL THERAPY	330
MEDICAL SOCIAL SERVICE	600
HOME HEALTH AIDE	<u>1,090</u>
TOTAL DIRECT PERSONNEL	7,780
BILLABLE MEDICAL SUPPLIES	760
TELEMEDICINE EQUIPMENT	<u>1,360</u>

TOTAL 9,900

ALLOCATION OF COSTS

DIRECT PERSONNEL	\$1,009,166
BILLABLE MEDICAL SUPPLIES	98,582
TELEMEDICINE EQUIPMENT	<u>176,409</u>
TOTAL	<u>\$1,284,157</u>

**INDIRECT COST
ALLOCATION BY STATISTIC**

DEPARTMENT: ALL OTHER INDIRECT COSTS TO DIRECT PERSONNEL

STATISTIC: VISITS

COSTS TO BE ALLOCATED:

ALL OTHER INDIRECT COSTS	\$1,284,157
LESS:	
ALLOCATED TO	
BILLABLE MEDICAL SUPPLIES	(98,582)
TELEMEDICINE EQUIPMENT	<u>(\$176,409)</u>
 TOTAL	 \$1,009,166

STATISTIC:

SKILLED NURSING	29,200
PHYSICAL THERAPY	18,900
SPEECH THERAPY	800
OCCUPATIONAL THERAPY	4,000
MEDICAL SOCIAL SERVICE	600
HOME HEALTH AIDE	<u>6,500</u>
 TOTAL	 60,000

ALLOCATION OF COST

SKILLED NURSING	\$491,127
PHYSICAL THERAPY	317,887
SPEECH THERAPY	13,456
OCCUPATIONAL THERAPY	67,278
MEDICAL SOCIAL SERVICE	10,092
HOME HEALTH AIDE	<u>109,326</u>
 TOTAL	 \$1,009,166

**OJF HOME HEALTH CARE SERVICE
 COST PER VISIT
 UTILIZING INDIRECT COST ALLOCATIONS
 BY STATISTICS**

	<u>SKILLED NURSING</u>	<u>PHYSICAL THERAPY</u>	<u>SPEECH THERAPY</u>	<u>OCCUPAT. THERAPY</u>	<u>MEDICAL SOCIAL SERVICE</u>	<u>HOME HEALTH AIDE</u>	<u>BILLABLE MEDICAL SUPPLIES</u>	<u>TELEMEDICINE EQUIPMENT</u>	<u>TOTAL</u>
DIRECT COSTS	\$2,141,800	\$1,483,800	\$66,000	\$281,200	\$47,700	\$314,700	\$213,900	\$157,500	\$4,706,600
INDIRECT COSTS									
CLINICAL MANAGER	\$138,442	\$89,608	\$3,793	\$18,965	\$2,845	\$30,818			\$284,471
HOME CARE COORDS.	49,524	23,351	1,026	4,234	7,698	13,985	9,751	17,449	127,018
PAYROLL DEPARTMENT	17,142	4,286	989	1,319	989	8,241	330		33,296
ALL OTHER	491,127	317,887	13,456	67,278	10,092	109,326	98,582	176,409	1,284,157
OCCUPANCY & EQUIPMT.	66,990	6,090	2,436	4,872	4,872	8,120	5,278		98,658
	<u>\$763,226</u>	<u>\$441,222</u>	<u>\$21,699</u>	<u>\$96,668</u>	<u>\$26,495</u>	<u>\$170,491</u>	<u>\$113,941</u>	<u>\$193,858</u>	<u>\$1,827,600</u>
TOTAL INDIRECT COSTS									
TOTAL COST	<u>\$2,905,026</u>	<u>\$1,925,022</u>	<u>\$87,699</u>	<u>\$377,868</u>	<u>\$74,195</u>	<u>\$485,191</u>	<u>\$327,841</u>	<u>\$351,358</u>	<u>\$6,534,201</u>
TOTAL VISITS	29,200	18,900	800	4,000	600	6,500			60,000
AVERAGE COST PER VISIT	<u>\$99.49</u>	<u>\$101.85</u>	<u>\$109.62</u>	<u>\$94.47</u>	<u>\$123.66</u>	<u>\$74.64</u>			<u>\$108.90</u>

GENERAL METHODS OF COST ACCOUNTING - MULTIPLE STATISTICS

					<u>VARIANCE</u>
SKILLED NURSING		\$73.35	\$26.14	\$99.49	\$3.93
PHYSICAL THERAPY		\$78.51	\$23.35	\$101.85	\$4.75
SPEECH THERAPY		\$82.50	\$27.12	\$109.62	\$4.30
OCCUPATIONAL THERAPY		\$70.30	\$24.17	\$94.47	(\$10.33)
MEDICAL SOCIAL SERVICE		\$79.50	\$44.16	\$123.66	(\$8.29)
HOME HEALTH AIDE		\$48.42	\$26.23	\$74.64	\$2.80
MEDICAL SUPPLIES - PURCHASES	\$180,000				
PERSONNEL	<u>\$33,900</u>	\$213,900	\$113,941	\$327,841	(\$72,475)
TELEMEDICINE EQUIPMENT		\$157,500	\$193,858	\$351,358	(\$167,859)

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**OJF HOME HEALTH CARE SERVICE
COST PER VISIT
COMPARISON**

	<u>SKILLED NURSING</u>	<u>PHYSICAL THERAPY</u>	<u>SPEECH THERAPY</u>	<u>OCCUPAT. THERAPY</u>	<u>MEDICAL SOCIAL SERVICE</u>	<u>HOME HEALTH AIDE</u>	<u>BILLABLE MEDICAL SUPPLIES</u>
MEDICARE COSTS	\$101.83	\$108.99	\$97.60	\$114.54	\$110.37	\$67.22	\$296,959
GENERAL ACCOUNTING SQUARE FOOTAGE PLUS SINGLE STATISTIC	\$103.41	\$106.60	\$113.92	\$99.29	\$115.37	\$77.44	\$255,366
DIFFERENCE - MEDICARE	(\$1.58)	\$2.39	(\$16.32)	\$15.25	(\$5.00)	(\$10.23)	\$41,592
GENERAL ACCOUNTING SQUARE FOOTAGE PLUS MULTIPLE STATISTICS	\$99.49	\$101.85	\$109.62	\$94.47	\$123.66	\$74.64	\$327,841
DIFFERENCE - MEDICARE	\$2.34	\$7.14	(\$12.03)	\$20.07	(\$13.29)	(\$7.43)	(\$30,883)
DIFFERENCE - GEN. ACCY. SINGLE STATISTIC	\$3.93	\$4.75	\$4.30	\$4.82	(\$8.29)	\$2.80	(\$72,475)

OJF HOME HEALTH CARE SERVICE
COST PER CASE ANALYSIS
FROM 07-01-2003 THRU 06-30-2004

NUMBER OF MEDICARE PATIENTS	2,900
NUMBER OF MEDICARE PATIENT EPISODES	3,200

	<u>VISITS</u>	<u>AVERAGE VISITS PER EPISODE</u>	<u>REVENUE PER EPISODE</u>	<u>AVERAGE COST PER CASE NOT INCLUDING MEDICAL SUPPLIES</u>		
				<u>MEDICARE</u>	<u>GMCA-SS</u>	<u>GMCA-MS</u>
SKILLED NURSING	24,350	7.61		\$774.87	\$786.91	\$757.03
PHYSICAL THERAPY	15,900	4.97		541.56	529.67	506.08
SPEECH THERAPY	700	0.22		21.35	24.92	23.98
OCCUPATIONAL THERAPY	3,300	1.03		118.11	102.39	97.42
MEDICAL SOCIAL SERVICE	500	0.16		17.25	29.69	19.32
HOME HEALTH AIDE	<u>3,250</u>	<u>1.02</u>		<u>68.27</u>	<u>78.65</u>	<u>75.81</u>
	<u>48,000</u>	<u>15.00</u>		\$1,541.40	\$1,552.23	\$1,479.64
BILLABLE MEDICAL SUPPLIES				92.80	79.80	102.45
TELEMEDICINE EQUIPMENT				68.33	57.34	109.80
			<u>\$ 2,063.91</u>	<u>\$1,702.53</u>	<u>\$1,689.38</u>	<u>\$1,691.89</u>
				<u>\$361.38</u>	<u>\$374.53</u>	<u>\$372.02</u>
						<u>PROFIT PER EPISODE</u>

NUMBER OF MEDICAID PATIENTS	300
NUMBER OF MEDICARE PATIENT VISITS	6,000

	<u>VISITS</u>	GROSS CHARGES	CHARGE PER VISIT	CONTRACTUAL ALLOWANCE		
				<u>MEDICARE</u>	<u>GMCA-SS</u>	<u>GMCA-MS</u>
SKILLED NURSING	1,925	\$ 259,875	\$135.00	\$63,850	\$60,800	\$60,800
PHYSICAL THERAPY	1,250	168,750	\$135.00	168,750	35,500	35,500
SPEECH THERAPY	50	6,750	\$135.00	1,300	1,050	1,050
OCCUPATIONAL THERAPY	400	54,000	\$135.00	54,000	14,300	14,300
MEDICAL SOCIAL SERVICE	75	10,125	\$135.00	2,800	1,475	1,475
HOME HEALTH AIDE	2,300	172,500	\$75.00	172,500	(5,625)	(5,625)
	6,000	\$ 672,000		\$463,200	\$107,500	\$107,500

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NUMBER OF 3RD PARTY PAYOR PATIENTS	525
NUMBER OF 3RD PARTY PATIENT VISITS	4,200

	<u>VISITS</u>	GROSS CHARGES	CHARGE PER VISIT	CONTRACTUAL ALLOWANCE	20%
					DISCOUNT
SKILLED NURSING	2,225	\$ 300,375	\$135.00	\$60,075	
PHYSICAL THERAPY	1,600	216,000	\$135.00	43,200	
SPEECH THERAPY	25	3,375	\$135.00	675	
OCCUPATIONAL THERAPY	250	33,750	\$135.00	6,750	
MEDICAL SOCIAL SERVICE	0	-	\$135.00	0	
HOME HEALTH AIDE	100	7,500	\$75.00	1,500	
	4,200	\$ 561,000		\$112,200	

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NUMBER OF CHARITY PATIENTS	100
NUMBER OF CHARITY PATIENT VISITS	1,800

	<u>VISITS</u>	GROSS CHARGES	CHARGE PER VISIT	CONTRACTUAL ALLOWANCE	100%
					DISCOUNT
SKILLED NURSING	700	\$ 94,500	\$135.00	\$94,500	
PHYSICAL THERAPY	150	20,250	\$135.00	20,250	
SPEECH THERAPY	25	3,375	\$135.00	3,375	
OCCUPATIONAL THERAPY	50	6,750	\$135.00	6,750	
MEDICAL SOCIAL SERVICE	25	3,375	\$135.00	3,375	
HOME HEALTH AIDE	850	63,750	\$75.00	63,750	
	1,800	\$ 192,000		\$192,000	

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**Patient Case
Revenue & Cost Analysis**

Patient Name: Smith, Flossie Patient Number: 1003-5402 SOC Date: 02/07/04
 SOE Date: 02/07/04 Episode Day Number: 42 D/C Date: 03/17/04
 HHRG No.: C2F3S2 HHRG Rate Factor: 1.9912 HHRG Revenue: \$4,597.21

SCORING

Clinical	Functional	Service Utilization
20	26	6

Adjustment Differentials

PEP	<u>0.00</u>
SCIC	<u>0.00</u>
LUPA Visit Rates	_____

Practice Standard

Discipline	Visits	Cost Per	Total	Visits	Actual	Total
		Unit	Cost		Cost Per	Cost
RN	<u>3</u>	<u>101.83</u>	305.49	<u>17</u>	<u>101.83</u>	1,731.11
PT	<u>18</u>	<u>108.99</u>	1,961.82	<u>25</u>	<u>108.99</u>	2,724.75
ST		<u>97.60</u>	0.00		<u>97.60</u>	0.00
OT		<u>114.54</u>	0.00		<u>114.54</u>	0.00
MSW		<u>110.37</u>	0.00		<u>110.37</u>	0.00
HHA	<u>14</u>	<u>67.22</u>	941.08	<u>16</u>	<u>67.22</u>	1,075.52
	<u>35</u>		<u>3,208.39</u>	<u>58</u>		<u>5,531.38</u>

Medical Supplies	Quantities	Cost Per Unit	Total Cost	Quantities	Cost Per Unit	Total Cost
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00

Total Cost 3,208.39 5,531.38

Profit/(Loss) \$1,388.82 (\$934.17)

Check for Outlier Yes No Yes No

**Patient Case
Revenue & Cost Analysis**

Patient Name: Smith, Flossie Patient Number: 1003-5402 SOC Date: 02/07/04
 SOE Date: 02/07/04 Episode Day Number: 42 D/C Date: 03/17/04
 HHRG No.: C2F3S2 HHRG Rate Factor: 1.9912 HHRG Revenue: \$4,597.21

SCORING		
Clinical	Functional	Service Utilization
20	26	6

Adjustment Differentials

PEP	<u>0.00</u>
SCIC	<u>0.00</u>
LUPA Visit Rates	<u> </u>
	<u> </u>
	<u> </u>
	<u> </u>

Discipline	Practice Standard			Actual		
	Visits	Cost Per Unit	Total Cost	Visits	Cost Per Unit	Total Cost
RN	<u>3</u>	<u>103.41</u>	310.23	<u>17</u>	<u>103.41</u>	1,757.97
PT	<u>18</u>	<u>106.60</u>	1,918.80	<u>25</u>	<u>106.60</u>	2,665.00
ST		<u>113.92</u>	0.00		<u>113.92</u>	0.00
OT		<u>99.29</u>	0.00		<u>99.29</u>	0.00
MSW		<u>115.37</u>	0.00		<u>115.37</u>	0.00
HHA	<u>14</u>	<u>77.44</u>	<u>1,084.16</u>	<u>16</u>	<u>77.44</u>	<u>1,239.04</u>
	<u>35</u>		<u>3,313.19</u>	<u>58</u>		<u>5,662.01</u>

Medical Supplies	Quantities	Cost Per Unit	Total Cost	Quantities	Cost Per Unit	Total Cost
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00

Total Cost 3,313.19 5,662.01

Profit/(Loss) \$1,284.02 (\$1,064.80)

Check for Outlier Yes No Yes No

**Patient Case
Revenue & Cost Analysis**

Patient Name: Smith, Flossie Patient Number: 1003-5402 SOC Date: 02/07/04
 SOE Date: 02/07/04 Episode Day Number: 42 D/C Date: 03/17/04
 HHRG No.: C2F3S2 HHRG Rate Factor: 1.9912 HHRG Revenue: \$4,597.21

SCORING		
Clinical	Functional	Service Utilization
20	26	6

Adjustment Differentials

PEP	0.00
SCIC	0.00
LUPA Visit Rates	

Discipline	Practice Standard			Actual		
	Visits	Cost Per Unit	Total Cost	Visits	Cost Per Unit	Total Cost
RN	3	99.49	298.47	17	99.49	1,691.33
PT	18	101.85	1,833.30	25	101.85	2,546.25
ST		109.62	0.00		109.62	0.00
OT		94.47	0.00		94.47	0.00
MSW		123.66	0.00		123.66	0.00
HHA	14	74.64	1,044.96	16	74.64	1,194.24
	<u>35</u>		<u>3,176.73</u>	<u>58</u>		<u>5,431.82</u>

Medical Supplies	Quantities	Cost Per Unit	Total Cost	Quantities	Cost Per Unit	Total Cost
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			0.00			0.00
			<u>0.00</u>			<u>0.00</u>

Total Cost 3,176.73 5,431.82

Profit/(Loss) \$1,420.48 (\$834.61)

Check for Outlier Yes No Yes No

**Patient Case
Revenue & Cost Analysis**

Patient Name: Wound Care Willie Patient Number: W 1447 SOC Date: 02/02/2004

SOE Date: 02/02/2004 Episode Day Number: 60 D/C Date: _____

HHRG No.: C3F2S0	HHRG Rate Factor: 1.3957	HHRG Revenue: \$3,222.34
SCIC HHRG No: 0	SCIC HHRG Rate Factor: -	

INITIAL HHRG SCORING		
Clinical	Functional	Service Utilization
23	21	0

Adjustment Differentials

PEP	0.00
SCIC	0.00
TOTAL	<u>3,222.34</u>

SCIC HHRG SCORING		
Clinical	Functional	Service Utilization
0	0	0

LUPA Visit Revenue 0.00

OUTLIER Revenue \$0.00

Practice Standard

Actual Practice

<u>Discipline</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
RN	60	101.83	6,109.80	23	101.83	2,342.09
PT	16	108.99	1,743.84	12	108.99	1,307.88
ST		97.60	0.00		97.60	0.00
OT		114.54	0.00		114.54	0.00
MSW		110.37	0.00		110.37	0.00
HHA		67.22	0.00		67.22	0.00
	<u>76</u>		<u>7,853.64</u>	<u>35</u>		<u>3,649.97</u>

<u>Medical Supplies</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
4 x 4's	5	6.42	32.10	1	6.42	6.42
Kerlix	60	1.24	74.40	0	1.24	0.00
Normal Saline	2	2.64	5.28	2	2.64	5.28
		0.00	0.00		0.00	0.00
Viscotaste	0	22.54	0.00	22	13.66	300.52
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
			<u>111.78</u>			<u>312.22</u>

Total Cost 7,965.42 3,962.19

Profit/(Loss) (\$4,743.08) (\$739.85)

**Patient Case
Revenue & Cost Analysis**

Patient Name: Wound Care Willie Patient Number: W 1447 SOC Date: _____

SOE Date: 36924 Episode Day Number: _____ D/C Date: _____

HHRG No.: C3F2S0	HHRG Rate Factor: 1.3957	HHRG Revenue: <u>\$3,222.34</u>
SCIC HHRG No: 0	SCIC HHRG Rate Factor: -	

INITIAL HHRG SCORING		
Clinical	Functional	Service Utilization
23	21	0

Adjustment Differentials

PEP	0.00
SCIC	0.00
TOTAL	<u><u>3,222.34</u></u>

SCIC HHRG SCORING		
Clinical	Functional	Service Utilization
0	0	0

LUPA Visit Revenue 0.00

OUTLIER Revenue \$0.00

Practice Standard

Actual Practice

<u>Discipline</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
RN	60	103.83	6,229.80	24	103.83	2,491.92
PT	16	106.60	1,705.60	12	106.60	1,279.20
ST		113.92	0.00		113.92	0.00
OT		99.29	0.00		99.29	0.00
MSW		115.37	0.00		115.37	0.00
HHA		77.44	0.00		77.44	0.00
	<u>76</u>		<u>7,935.40</u>	<u>36</u>		<u>3,771.12</u>

<u>Medical Supplies</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
4 x 4's	5	5.11	25.55	1	5.11	5.11
Kerlix	60	1.06	63.60	0	1.06	0.00
Normal Saline	2	2.27	4.54	2	2.27	4.54
		0.00	0.00		0.00	0.00
Viscotaste	0	19.38	0.00	22	19.38	426.36
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
			<u>93.69</u>			<u>436.01</u>

Total Cost 8,029.09 4,207.13

Profit/(Loss) (\$4,806.75) (\$984.79)

**Patient Case
Revenue & Cost Analysis**

Patient Name: Wound Care Willie Patient Number: W 1447 SOC Date: _____

SOE Date: 36924 Episode Day Number: _____ D/C Date: _____

HHRG No.: C3F2S0	HHRG Rate Factor: 1.3957	HHRG Revenue: \$3,222.34
SCIC HHRG No: 0	SCIC HHRG Rate Factor: -	

INITIAL HHRG SCORING		
Clinical	Functional	Service Utilization
23	21	0

<u>Adjustment Differentials</u>	
PEP	0.00
SCIC	0.00
TOTAL	<u>3,222.34</u>

SCIC HHRG SCORING		
Clinical	Functional	Service Utilization
0	0	0

LUPA Visit Revenue 0.00

OUTLIER Revenue \$0.00

Practice Standard

Actual Practice

<u>Discipline</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
RN	60	99.49	5,969.40	24	99.49	2,387.76
PT	16	101.85	1,629.60	12	101.85	1,222.20
ST		109.62	0.00		109.62	0.00
OT		94.47	0.00		94.47	0.00
MSW		123.66	0.00		123.66	0.00
HHA		74.64	0.00		74.64	0.00
	<u>76</u>		<u>7,599.00</u>	<u>36</u>		<u>3,609.96</u>

<u>Medical Supplies</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
4 x 4's	5	7.09	35.45	1	7.09	7.09
Kerlix	60	1.37	82.20	0	1.37	0.00
Normal Saline	2	2.91	5.82	2	2.91	5.82
		0.00	0.00		0.00	0.00
Viscotaste	0	24.88	0.00	22	24.88	547.36
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
			<u>123.47</u>			<u>560.27</u>

Total Cost 7,722.47 4,170.23

Profit/(Loss) (\$4,500.13) (\$947.89)

**Patient Case
Revenue & Cost Analysis**

Patient Name: Sarah Heartproblem Patient Number: H 2274 SOC Date: 2/27/2004

SOE Date: 2/27/2004 Episode Day Number: 42 D/C Date: 04/08/04

HHRG No.: C1F2S0	HHRG Rate Factor: 0.8205	HHRG Revenue: \$1,894.34
SCIC HHRG No: 0	SCIC HHRG Rate Factor: -	

INITIAL HHRG SCORING		
Clinical	Functional	Service Utilization
8	18	0

SCIC HHRG SCORING		
Clinical	Functional	Service Utilization
0	0	0

Adjustment Differentials

PEP	0.00
SCIC	0.00
TOTAL	<u>1,894.34</u>

LUPA Visit Revenue 0.00

OUTLIER Revenue \$0.00

Practice Standard

Actual Practice

<u>Discipline</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
RN	19	101.83	1,934.77	7	101.83	712.81
PT		108.99	0.00		108.99	0.00
ST		97.60	0.00		97.60	0.00
OT	1	114.54	114.54	1	114.54	114.54
MSW		110.37	0.00		110.37	0.00
HHA		67.22	0.00		67.22	0.00
	<u>20</u>		<u>2,049.31</u>	<u>8</u>		<u>827.35</u>

<u>Medical Supplies</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
			0.00			0.00
<u>TeleMedicine</u>		0.00	0.00	42	6.94	291.48
			<u>0.00</u>			<u>291.48</u>

Total Cost 2,049.31 1,118.83

Profit/(Loss) (\$154.97) \$775.51

**Patient Case
Revenue & Cost Analysis**

Patient Name: Sarah Heartproblem Patient Number: H 2274 SOC Date: 2/27/2004

SOE Date: 2/27/2004 Episode Day Number: 42 D/C Date: 04/08/04

HHRG No.: C1F2S0	HHRG Rate Factor: 0.8205	HHRG Revenue: <u>\$1,894.34</u>
SCIC HHRG No: 0	SCIC HHRG Rate Factor: -	

INITIAL HHRG SCORING		
Clinical	Functional	Service Utilization
8	18	0

Adjustment Differentials

PEP	0.00
SCIC	0.00
TOTAL	<u>1,894.34</u>

SCIC HHRG SCORING		
Clinical	Functional	Service Utilization
0	0	0

LUPA Visit Revenue 0.00

OUTLIER Revenue \$0.00

Practice Standard

Actual Practice

<u>Discipline</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
RN	19	103.41	1,964.79	7	103.41	723.87
PT		106.60	0.00		106.60	0.00
ST		113.92	0.00		113.92	0.00
OT	1	99.29	99.29	1	99.29	99.29
MSW		115.37	0.00		115.37	0.00
HHA		77.44	0.00		77.44	0.00
	<u>20</u>		<u>2,064.08</u>	<u>8</u>		<u>823.16</u>

<u>Medical Supplies</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
			0.00			0.00
<u>TeleMedicine</u>		0.00	0.00	42	5.83	244.65
			<u>0.00</u>			<u>244.65</u>
			Total Cost			<u>1,067.81</u>

Profit/(Loss) (\$169.74) \$826.53

**Patient Case
Revenue & Cost Analysis**

Patient Name: Sarah Heartproblem Patient Number: H 2274 SOC Date: 2/27/2004

SOE Date: 2/27/2004 Episode Day Number: 42 D/C Date: 04/08/04

HHRG No.: C1F2S0	HHRG Rate Factor: 0.8205	HHRG Revenue: \$1,894.34
SCIC HHRG No: 0	SCIC HHRG Rate Factor: -	

INITIAL HHRG SCORING		
Clinical	Functional	Service Utilization
8	18	0

Adjustment Differentials

PEP	0.00
SCIC	0.00
TOTAL	<u>1,894.34</u>

SCIC HHRG SCORING		
Clinical	Functional	Service Utilization
0	0	0

LUPA Visit Revenue 0.00

OUTLIER Revenue \$0.00

Practice Standard

Actual Practice

<u>Discipline</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Visits</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
RN	19	99.49	1,890.31	7	99.49	696.43
PT		101.85	0.00		101.85	0.00
ST		109.96	0.00		109.96	0.00
OT	1	94.47	94.47	1	94.47	94.47
MSW		123.66	0.00		123.66	0.00
HHA		74.64	0.00		74.64	0.00
	<u>20</u>		<u>1,984.78</u>	<u>8</u>		<u>790.90</u>

<u>Medical Supplies</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>	<u>Quantities</u>	<u>Cost Per Unit</u>	<u>Total Cost</u>
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
		0.00	0.00		0.00	0.00
			0.00			0.00
<u>TeleMedicine</u>		0.00	0.00	42	11.15	468.30
			0.00			468.30

Total Cost 1,984.78 1,259.20

Profit/(Loss) (\$90.44) \$635.14



Real Cost Accounting for Accurate Costs

- x This Presentation Has Demonstrated Real Cost Accounting and How to Use It
 - x Its Design Should Develop the Costs of the Services and Products that Your Agency Offers
 - x Your Needs Should Determine the Level of Sophistication, Not any Industry Standard
 - x Design a Simple System and Add Levels of Sophistication to Reach Your Level of Need and Usefulness
 - x The Standard Should be that You Have Real Cost Accounting
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