

Medicaid Costing for Behavioral Health Organizations: *A Basic Approach*

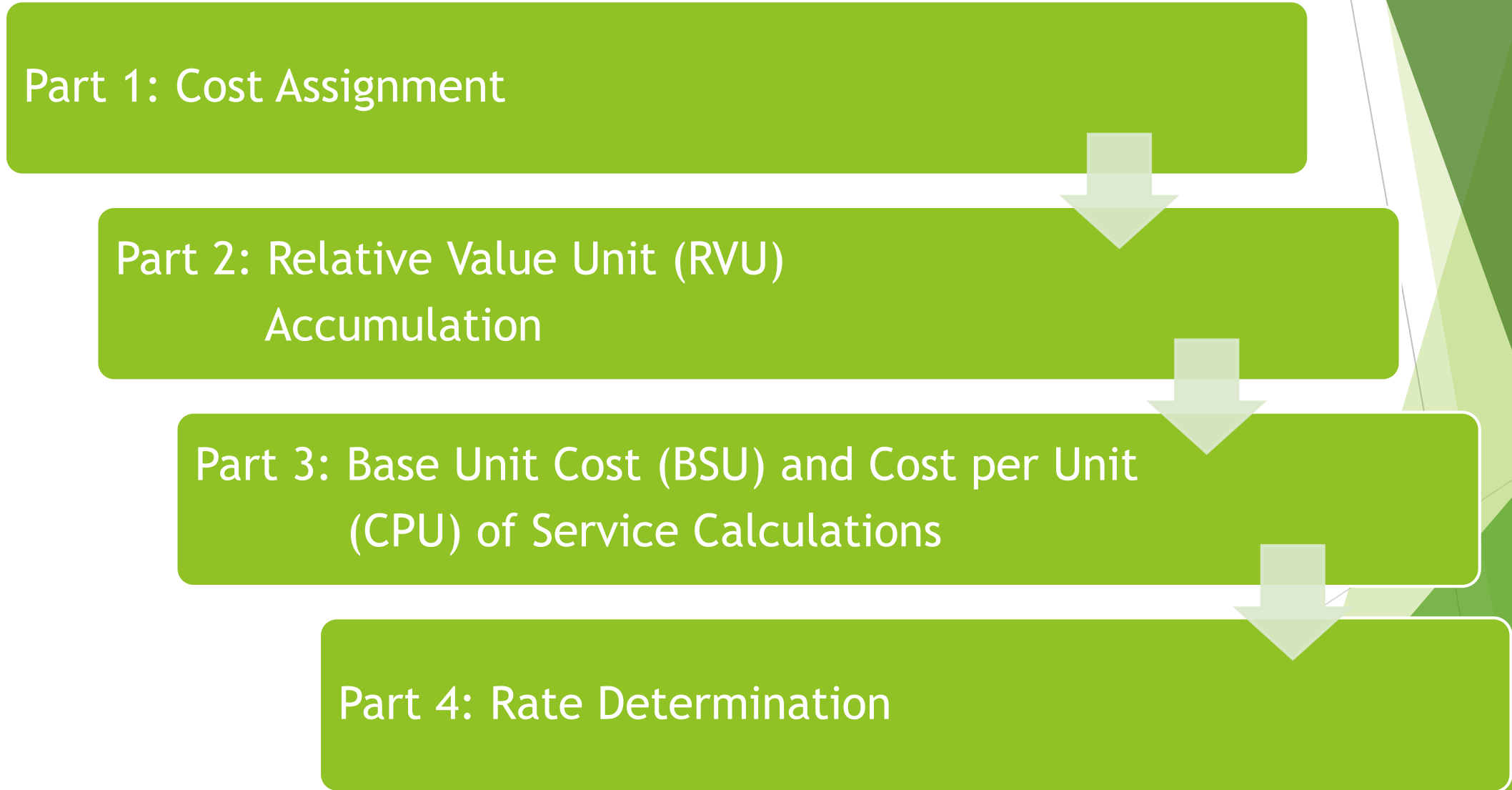
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Figure 1: Medicaid Costing for Behavioral Health Organizations: A Four-Part Approach



What is different in the Medicaid Unit of Service Costing? Integration of Services

- 1. Medicaid Services: *Level of integration and/or coordination of a spectrum of behavioral health and physical health services to improve the health of the patient.***
- 2. One to ten scale reflects the level of integration.**
- 3. Reimbursable service must be Level 3 or higher (*Basic Collaboration Onsite or Via Technology Based Services*)**

(See Behavioral Health Accounting and Auditing Guidelines FY 2017 State of Colorado for a complete example.)

What is different in the Medicaid Unit of Service Costing? Services to Procedures

- ▶ Conventional services (e.g., outpatient, inpatient) are converted to procedures.
- ▶ Example: One hour of Outpatient Service may be converted to
 - ▶ Procedure 1 (with unique code) = 15 minutes of Outpatient Service
 - ▶ Procedure 2 (with unique code) = 30 minutes of Outpatient Service
 - ▶ Procedure 3 (with unique code) = 45 minutes of Outpatient Service
 - ▶ Procedure 4 (with unique code) = 1 hour of Outpatient Service

What is different in the Medicaid Unit of Service Costing? Relative Value Units

- 1. Resource-Based Relative Value Units (RBRVU) or *Relative Value Units (RVU)*: Resources required by a medical provider to provide a service (identified by procedure code) *relative* to all other medical provider services.**
- 2. RBRVS system *mandated* by the *Centers for Medicare and Medicaid Services (CMS)***
- 3. American Medical Association (AMA) maintains copyright of *Current Procedural Terminology (CPT)*; AMA charges a license fee to user who associates RVU values with CPT codes.**

What is different in the Medicaid Unit of Service Costing? Other Medicaid Requirements

- 1. Reimbursable procedures *Encounter-based* (namely, rendered in person to a client or patient).**
- 2. *Different RVU* for delivery site: Facility and Non-facility.**
- 3. *Non-RVU services* identified and costed (e.g., non-RVU inpatient, non-RVU partial hospital or other non-RVU services).**

What is different in the Medicaid Unit of Service Costing? Spreadsheet Differences

1. **ROWS** of the Cost Assignment spreadsheet remain like traditional unit of service costing framework; **COLUMNS** show major differences.
2. **COLUMNS** of Corporate Overhead (Indirect Costs), Unallowable Costs and Total Costs remain the same, but *conventional service headings are replaced by*
 1. Integration (or Non-Integration) Encounter-Based Services **with RVU**
 2. Integration Encounter-Based Services **without RVU**
 3. Other Services **without RVU**, and
 4. BHO or MSO Administrative Costs (if applicable)

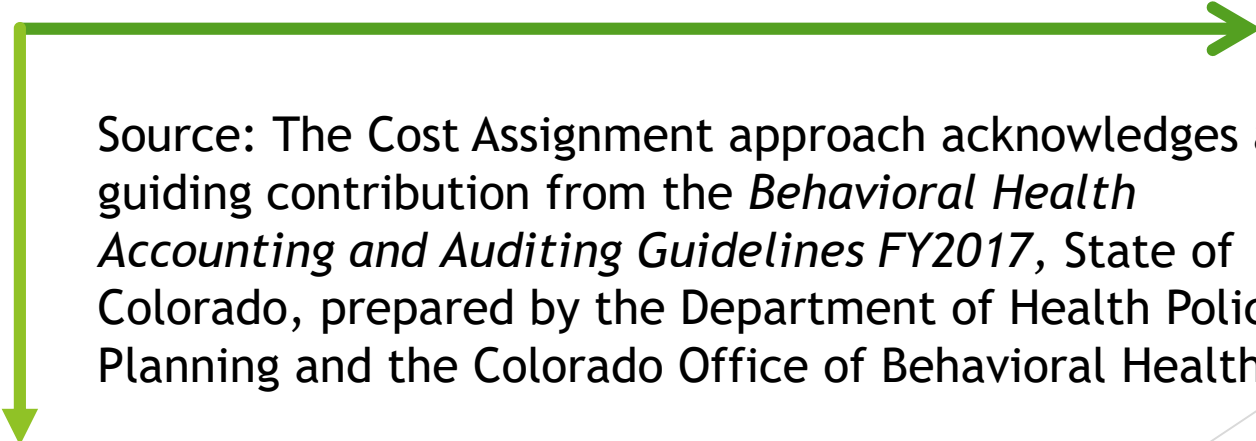
What is different in the Medicaid Unit of Service Costing? Example of Payment

- ▶ **The RVU value multiplied by fixed Conversion Factor or Base Unit Cost (updated annually) determined cost of a procedure and proposed amount of payment.**
- ▶ ***Example:* CPT Code x Conversion (Base Unit Cost) = Cost and Proposed Payment**
 - ▶ **CPT code for a procedure: 1.5 Relative Value Units (RVU)**
 - ▶ **Conversion Factor or Base Unit Cost: \$30**
 - ▶ **Cost of procedure: $\text{RVU} \times \text{Base Unit Cost} = 1.5 \times \$30 = \$45$**
 - ▶ **Medicaid payment: \$45 for each procedure performed.**

What is the format of the Medicaid Cost Assignment (Part 1) Spreadsheet?

COLUMN HEADINGS: FUNCTIONAL HEADINGS— FTE, Corporate Overhead, Client and Internal Services, Unallowable, Total Cost

ROW HEADINGS: COSTS—FTE, Direct, Indirect, Allocations and Totals



Source: The Cost Assignment approach acknowledges a guiding contribution from the *Behavioral Health Accounting and Auditing Guidelines FY2017*, State of Colorado, prepared by the Department of Health Policy & Planning and the Colorado Office of Behavioral Health.

Cost Assignment (Part 1) Spreadsheet Rows

- ▶ 1. Total Direct Program Staff—*FTE*
- ▶ 2. Total Administrative Staff-*FTE*
- ▶ 3. Direct Service Cost: Total Personnel Cost (including fringe benefits)
- ▶ 4. Other Direct Service Costs
- ▶ 5. ***TOTAL DIRECT SERVICE COSTS***
- ▶ 6. *Indirect Cost Allocation (Corporate Overhead)*
- ▶ 7. ***TOTAL COSTS (Direct and Indirect)***

Cost Assignment (Part 1) Spreadsheet Functional Columns

- ▶ 1. FTE (Full Time Equivalents)
- ▶ 2. Corporate Overhead: Indirect (not traceable to Direct Cost Centers)
- ▶ 3. Integration and Non-Integration Encounter-Based Services with RVU Weights (to Part 3)
- ▶ 4. Encounter-Based Integration Services without RVU Weights (to Part 4)
- ▶ 5. Encounter-Based Other Services (e.g., Inpatient, 24 Hour Residential) Non-Encounter Services (without RVU Weights) (to Part 4)
- ▶ 6. ASO, BHO and MSO Administrative Costs (if applicable)
- ▶ 7. Unallowable Costs
- ▶ 8. TOTAL COSTS

Sample Medicaid CMHC /SDP Spreadsheet

Cost Assignment Spreadsheet* (Part 1)

	1	2	3	4	5	6	7	8
	FTE #	Corporate Overhead	Integration and Non-Integration Encounter-Based Services with RVU Weights	Integration Encounter-Based Services without RVU Weights	Other Services without RVU Weights	ASO, BHO MSO Admin Costs	Unallowable Costs	TOTAL COSTS
1	Total Direct Program Staff-FTE							
2	Total Administrative Staff-FTE							
3	Direct Service Cost: Personnel							
4	Other Direct Service Costs							
5	TOTAL DIRECT SERVICE COSTS							
6	Indirect Cost Allocation	()						
7	TOTAL COSTS							

*Format based on *Behavioral Health Accounting and Auditing Guidelines FY2017*, State of Colorado, prepared by the Department of Health Policy & Planning and the Colorado Office of Behavioral Health. The logic to create this spreadsheet is shown in Appendix 1.0: *Flowchart 1.0 Logic to Create Cost Assignment Spreadsheet (Part 1)*.

Medicaid Unit Costing—Part 2: Utilization (Encounter Based Services with Non-Facility and Facility RVU Weights)

- ▶ Part 2a: Non-facility RVUs
 - ▶ Procedure codes: $\text{Non-Facility RVU Weight} \times \text{Total Units} = \text{Total RVUs}$
 - ▶ Sum Total RVUs column for each procedure to develop TOTAL Non-Facility RVUs.
- ▶ Part 2b: Facility RVUs
 - ▶ Procedure codes: $\text{Facility RVU Weight} \times \text{Total Units} = \text{Total RVUs}$
 - ▶ Sum Total RVUs column for each procedure to develop TOTAL Facility RVUs.
- ▶ Grand Total of RVUs by adding Total Part 2a (Non-facility RVUs) and Total Part 2b (Facility RVUs).

Medicaid Unit Costing—Part 2: Utilization (Encounter-Based Services with Non-Facility and Facility RVU Weights)

Medicaid Unit Costing - Part 2: Utilization (Encounter Based Services with Non-Facility and Facility RVU Weights)						
Community Mental Health Center/ SUD Provider						
Part 2a: Non-facility RVUs						
#	Procedure Code	Non-Facility RVU Weight	Description	Total Units	Total Relative Value Units (5 x 6)	
1	2	3	4	5	6	
1	xxx	zzz	Procedure 1	xxx	xxx	
2	xxx	zzz	Procedure 2	xxx	xxx	
3	xxx	zzz	Procedure C	xxx	xxx	
4	...		...	...	...
5	nnn		Procedure n	xxx	xxx	
6	TOTAL Non-facility RVUs			xxx	xxx	
Part 2b: Facility RVUs						
#	Procedure Code (illustrative examples only)	Facility RVU Weight	Description	Total Units	Total Relative Value Units (5 x 6)	
1	2	3	4	5	6	
1	xxx	zzz	Procedure 1	xxx	xxx	
2	xxx	zzz	Procedure 2	xxx	xxx	
3	xxx	zzz	Procedure C	xxx	xxx	
4	...		...	...	...
5	nnn		Procedure n	xxx	xxx	
6	TOTAL Facility RVUs			xxx	xxx	
Grand Total of Part 2a Line 6 (Non-facility) and Part 2b Line 6 (Facility) RVUs					xxx	

Source: Based on *Behavioral Health Accounting and Auditing Guidelines FY 2017* State of Colorado Colorado Department of Health Care Policy & Financing and Colorado Office of Behavioral Health

Medicaid Unit Costing—Part 3: Base Unit Costs and Cost per Unit of Service Encounter-Based Services with Non-Facility and Facility RVU Weights

▶ Part 3a: Computation of Base Unit Cost

▶ Total Allowable Costs for Encounter-Based Services (Part 1, Column 3) \$ xxxx

▶ Total Relative Value Units: Grand Total of Non-facility and Facility RVUs (Part 2) zzzzz

▶ Base Unit Cost:

Total Allowable Costs/Total Relative Value Units **\$ xxxx / zzzzz**

Medicaid Unit Costing—Part 3 (continued): Base Unit Costs and Cost per Unit of Service Encounter-Based Services with Non-Facility and Facility RVU Weights

- ▶ Part 3 B: Cost Per **Non-Facility** Unit of Service
 - ▶ Procedure Codes: $\text{Non-Facility RVU Weight} \times \text{Base Unit Cost} = \text{Cost per Unit of Service}$
- ▶ Part 3 C: Cost Per **Facility** Unit of Service
 - ▶ Procedure Codes: $\text{Facility RVU Weight} \times \text{Base Unit Cost} = \text{Cost per Unit of Service}$

Medicaid Unit Costing: Part 3: Base Unit Cost and Cost per Unit of Service Encounter Based Services With Non-Facility and Facility RVU Weights

Medicaid Unit Costing - Part 3: Base Unit Costs and Cost per Unit of Service Encounter Based Services With Non-Facility and Facility RVU Weights

Part 3A: Computation of Base Unit Cost

#	1	2
1	Total Allowable Costs for Encounter-based Services: Part 1, Column 3	
2	Total Relative Value Units: Part 2 Grand Total of Non-facility and Facility RVUs	
3	Base Unit Cost: Total Allowable Costs / Total Relative Value Units (Line 1/ Line 3)	\$

Medicaid Unit Costing: Part 3: Base Unit Cost per Unit of Service Encounter Based Services With Non-Facility and Facility RVU Weights (continued)

Part 3B: Cost Per Non-Facility Unit of Service							
#	Procedure Code	Non-Facility RVU Weight	Description			Base Unit Cost	Cost per Unit of Service <i>(Column 3 times 5)</i>
1	2	3	4			5	6
1	xxx	zzz	Procedure 1			xxx	xxx
2	xxx	zzz	Procedure 2			xxx	xxx
3	xxx	zzz	Procedure 3			xxx	xxx
4	...		...			...	...
5	nnn		Procedure n			xxx	xxx

Part 3C: Cost Per Facility Unit of Service							
#	Procedure Code	Facility RVU Weight	Description			Base Unit Cost	Cost per Unit of Service <i>(Column 3 times 5)</i>
1	2	3	4			5	6
1	xxx	zzz	Procedure 1			xxx	xxx
2	xxx	zzz	Procedure 2			xxx	xxx
3	xxx	zzz	Procedure 3			xxx	xxx
4	...		...			...	...
5	nnn		Procedure n			xxx	xxx

Source: Based on *Behavioral Health Accounting and Auditing Guidelines FY 2017* State of Colorado Colorado Department of Health Care Policy & Financing and Colorado Office of Behavioral Health

Medicaid Unit Costing—Part 4: Rate Determination

▶ Integration and Non-Integration *Encounter-Based Services* with RVU Weights (from Part 3)

- ▶ Non-Facility by Procedure See Part 3B
- ▶ Facility by Procedure See Part 3C

▶ Integration Services *Encounter-Based Services* without RVU Weights (from Part 1, column 4):

- ▶ Total Cost (Part 1) \$0
- ▶ Total Units of Service 0
- ▶ Cost Per Unit \$0/0

Medicaid Unit Costing—Part 4: Rate Determination (continued)

- ▶ Encounter Based Other Services without RVU weights (e.g., *Inpatient, 24 Hour, Residential*) and Non-Encounter Services without RVU weights (from Part 1, column 5):

▶ Total Cost (appropriate content of Part 1, column 5)	\$0
▶ Total Units of Service	0
▶ Cost Per Unit	\$0/0

Medicaid Unit Costing - Part 4: Rate Determination

1	2	3
1	Encounter-Based Services <u>with</u> RVU Weights:	
2	Non-Facility by Procedure (See Part 3B)	\$ xxxxx
3	Facility by Procedure (See Part 3C)	\$ xxxxx
4	Integration Ecounter-Based Servcies <u>without</u> RVU Weights	
5	Total Cost (Part 1, Column 4, Relevant Portion of Line 7)	\$ xxxxx
6	Total Units of Specific Service	zzzzz
7	Cost Per Specific Unit of Service (Line 5/ Line 6)	\$ xxxxx

Medicaid Unit Costing - Part 4: Rate Determination

Medicaid Unit Costing - Part 4: Rate Determination						
1	2					3
1	Ecounter-Based Services <u>without</u> RVU Weights AND Non-Encounter Services <u>without</u> RVU Weights					
2	Total Cost (Part 1, Column 5, <i>Relevant Portion</i> of Line 7)					\$ xxxxx
3	Total Units of <i>Specific</i> Service					zzzzz
4	Cost Per <i>Specific</i> Unit of Service (Line 2/ Line3)					\$ xxxxx

Medicaid Demonstration and Exercise Excel Spreadsheets

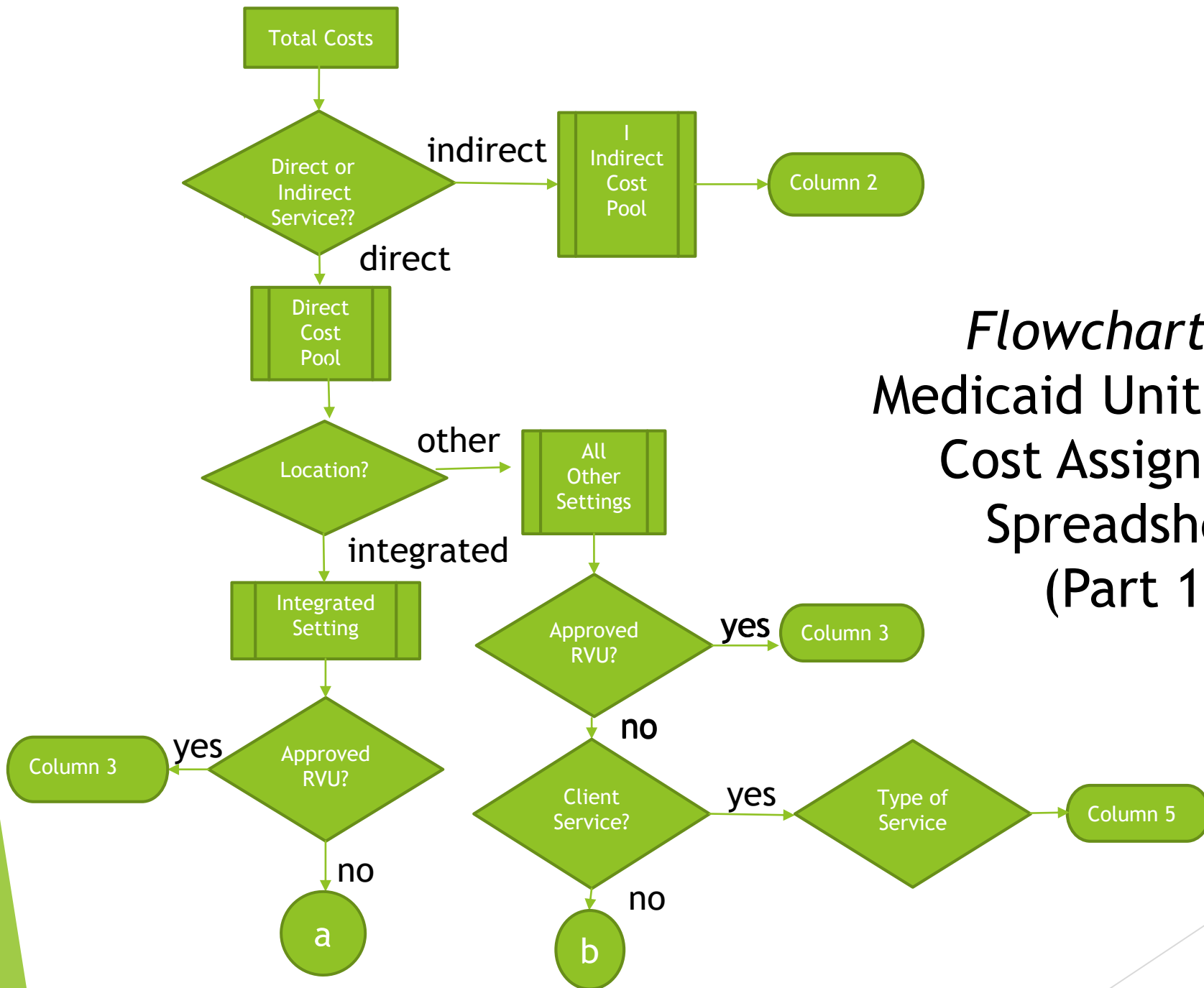
- ▶ Medicaid Costing: (Part 1) *Cost Assignment*
- ▶ Medicaid Costing: (Part 2) Utilization--Encounter Based Services with Non-Facility and Facility RVU Weights
- ▶ Medicaid Costing: (Part 3) *Base Unit Cost and Cost Per Unit of Service*
- ▶ Medicaid Costing: (Part 4) *Rate Determination*

Appendix 1.0

Flowchart 1.0

Logic to Create Medicaid Unit Costing Cost Assignment (Part 1) Spreadsheet

For Reference Only



Flowchart 1.0
 Medicaid Unit Costing
 Cost Assignment
 Spreadsheet
 (Part 1)

