



August 25, 2009

Charlene Frizzera, Acting Administrator  
Centers for Medicare & Medicaid Services  
Department of Health and Human Services  
Attention: Proposed revisions to the Medicare cost reports and instructions for Chapter  
40, Hospital and Hospital Health Care Complex Cost Report, Form CMS-2552-10  
P. O. Box 8011  
Baltimore, MD 21244-1850

**Reference: CMS-2552-10 (OMB#: 0938-0050)**

Dear Acting Administrator Frizzera:

The Sisters of Mercy Health System (Mercy) is a 19-hospital system operating in Missouri, Kansas, Oklahoma, and Arkansas. We rely heavily on Medicare as a major payer for the significant health services we provide and prepare a significant number of Medicare cost reports justifying the cost of those services. The Sisters of Mercy Health System welcomes this opportunity to comment on the Centers for Medicare & Medicaid Services' (CMS) proposed revisions to the Medicare cost reports and instructions for Chapter 40, Hospital and Hospital Health Care Complex Cost Report, Form CMS-2552-10.

Thank you for considering our comments as listed below:

**Worksheet S-10 – Hospital Uncompensated and Indigent Care**

Mercy believes this form has been improved significantly and provides for a better flow of information. In light of these improvements, we propose the following changes:

**Line 1** – this is the calculation of the cost to charge ratio from Worksheet C of the cost report that is applied to all of the charge components related to uncompensated and charity care to convert those charges to costs.

- Since this is a Medicare CCR, it understates the true costs of providing charity care reported on line 19. As charity care is not necessarily always provided to a Medicare patient, the cost to charge ratio should include the full costs that are incurred.

- We propose a second cost to charge ratio be calculated as:  
 Numerator: Total Costs from Worksheet A, line 118 less physician patient care costs from Worksheet A-8, Line 10.  
 Denominator: Total Charges from Worksheet C, Column 8, Line 202 (already excludes physician patient care charges).

This cost to charge ratio would be applied to charges on lines 19 and 28.

**Line 2** – It should be clarified in the instructions and form for this line that this should include inpatient, outpatient and managed care payments as stated in the opening paragraph of the S-10 instructions (Note: Exclude payments reported on lines 3 and 4 as noted below)

**Lines 3-5** – These lines reference DSH or supplement payments from Medicaid. Most, if not all, hospitals are able to track DSH and other supplemental payments separately, we propose the following:

- **Line 3** – Change this to collect the amount of DSH payments
- **Line 4** – Change this to collect non-DSH payments
- **Line 5** – make this TOTAL Medicaid net revenue (sum of lines 2-4)

**Line 8** – This line becomes the difference between Net Revenues and Costs for Medicaid Services (Line 5 minus Line 7)

**Lines 8, 12, 16** – These lines should reference revenue as “NET revenue” to be consistent with Line 2 and to clearly differentiate between payments (net revenues) and charges (gross revenues). This will help ensure consistent reporting among providers.

**Line 18** – should be made clear in the instructions that the grants, appropriations, and transfers received from government entities reported on this line should not include those already reported on lines 2,3,4 (based on the new suggested revisions) or 13.

- Should only include grants, appropriations and transfers if they are specific to uncompensated or indigent care.

**Line 19-23** – These lines will require Mercy to maintain a detailed charity care log for all patients that receive charity care, regardless of whether the write-off is for full or partial charity care.

- Data captured from our general ledger provides for an account that shows the amount of charity care charges written off, but does not identify the initial charge, percentage of the charge written off (full/partial), any patient payments that have been made, or identify if the patient has insurance or not.
- Reporting the amount of charity care written off will be consistent with the IRS 990, Schedule H requirements which can be completed using the hospital’s general ledger. A similar requirement for the cost reports will help maintain consistency and lessen Mercy’s burden.

**Line 19 and 20** – It's not clear why there is a differentiation between Line 19 (charity care for entire facility) compared to line 20 (charity care for Section 1886(d) hospitals or CAHs)

- Mercy proposes eliminating one of these lines as our hospitals will not have the charity care in their general ledger differentiated for these two lines and generally just have one account for all their patients

**Line 20** – Mercy proposes to eliminate this line as mentioned above.

**Line 22** – Mercy proposes to eliminate this line since line 19 would be the obligation of the patient minus payments minus any discounts.

**Line 23** – Mercy proposes to eliminate this line since line 21 should be cost of charity care.

**Line 26** – Mercy presumes CMS's intent is that total bad debt expense should agree with a provider's bad debt expense reported in their financial statements less physician or other professional fees. Per the instructions, this amount could be actual write-offs or an estimate. Mercy estimates bad debt expense based on a percentage of **gross** patient service revenue. We do not differentiate between gross hospital and gross physician/professional fee revenue when applying this percent. We assume CMS will allow provider's latitude when separating hospital bad debt from physician bad debt.

**Line 30** - Some of the lines, specifically lines 8, 12, and 16 do not appear to be included in the TOTAL uncompensated care on Line 30.

- These amounts should be a part of the TOTAL and Mercy proposes adding a final TOTAL line at the bottom of the form to include all the subtotal components of program shortfalls, charity care, and bad debt that are included throughout the sheet.

### **Worksheet S-3, Part II - Hospital Wage Index Information**

The instructions for Worksheet S-3, Part II, Line 28, specify that the costs for home office contract personnel should not be reported on the wage index survey. Mercy believes this directive to be arbitrary and capricious at best, inequitable at worst. This is the first time, anywhere, that we have seen CMS address this issue, either in cost report instructions or through proposed regulations. From a fairness standpoint, this directive favors those providers that do not have a home office. Many home offices (Mercy's included) run their consulting costs through the home office. This includes the legal, auditing, and cost report preparation fees highlighted in the description of line 28. This has shown to be a very efficient way to obtain such services and at a lower cost vs contracting separately. Non home office providers would have the advantage of including these fees in their wage index.

Before CMS attempts to clarify or change cost report instructions, Mercy requests that providers should be allowed the opportunity to comment through proposed regulations. We also believe CMS should be consistent in the treatment of A&G contract costs allowed for providers with or without home offices on line 28.

### **Worksheet S-3, Part V – Contract Labor and Benefit Cost**

Mercy is uncertain of the purpose of Worksheet S-3, Part V. There is no explanation from CMS and the data does not appear relevant in other parts of the cost report. The instructions are unclear and the data difficult to obtain. A negotiated contract rate typically includes **all** wage-related compensation of the vendor, combined in an hourly rate. No designation is made between direct labor and the related benefits. Mercy requests CMS provide a better understanding of this worksheet's purpose. We also ask CMS to consider revising the worksheet to request information that is more readily available from outside vendors.

Thank you for considering our comments. Should you have additional comments please contact Ron Trulove at (314) 364-3561 or me at (314) 628-3678.

Sincerely,



Jim Jaacks,  
Executive Vice President - Finance  
Executive Administration  
Sisters of Mercy Health System

c: Randy Combs  
Ron Trulove