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Discussion of Administrative Cost

Senate Finance

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Medicare – Reporting of Administrative Expenses

- Medicare defines these costs as expenses incurred in operating the facility as a whole and are not necessarily associated with furnishing patient care.
- Medicare requires reporting of this information to determine what provider expenses should be payable under the Medicare Program.
- Providers report expenses, like a tax return, annually to Medicare utilizing a Medicare Cost report.
- GMCB collects expenditures using Medicare's principles.



GMCB – Hospital Budget FY 2015

General Service Expenses

Administration	\$ 140,237,645	23.5%
Central Services & Supplies	\$ 15,017,882	2.5%
Dietary	\$ 26,086,345	4.4%
Fiscal Services	\$ 199,933,956	33.6%
Housekeeping	\$ 20,432,509	3.4%
Interns & Residents	\$ 23,748,507	4.0%
Laundry & Linen	\$ 6,205,988	1.0%
Maintenance of Personnel	\$ 974,437	0.2%
Medical Care Evaluation	\$ 14,479,134	2.4%
Medical Library	\$ 606,572	0.1%
Medical Records	\$ 17,882,441	3.0%
Medical Staff Education	\$ 1,046,784	0.2%
Nursing Administration	\$ 14,571,801	2.4%
Nursing Education	\$ 3,118,477	0.5%
Operation of Plant & Maintenance	\$ 70,752,033	11.9%
Pharmacy	\$ 31,271,024	5.2%
Research	\$ 354,290	0.1%
Social Service	\$ 8,980,965	1.5%
Total General Services Expenses	\$ 595,700,790	100.0%
Adjustments were made for non-general services expenses and includes allocation of fringe benefits.		

Fiscal Services:

- Depreciation and Interest represent ~ 40%
- Billing and Insurance Activities represent ~ 5%-10%



Further Refinement of General Service Expenses

Although Medicare considers Administrative and General as support costs to the entire operation of the facility:

- Cost centers such as Pharmacy and Medical Records support patient care in a more direct manner than administrative departments such as the accounting department.
- Investments in information technologies are currently considered indirect costs, these investments are critical to the success of changing how care is delivered.
 - Should they be considered a direct cost in the future?



Health Care Billing and Insurance Related Activity



- Financial – Budgeting, Planning, Contracting, Risk Sharing, Population Health Modeling
- Administrative Clinical – Scheduling Registration, Patient History, HIPPA
- Patient Financial – Insurance Eligibility, Benefits Coverage, Pre-Authorization, Point of Care Collection , Credit



- Clinical – Electronic Medical Record Documentation, Review of Electronic Alerts, Quality measures (P4P)
- Revenue Cycle - Charge Capture, CPT/DRG/ICD-9 Coding, Compliance, Medical record documentation review



- Claims and Billing – Claims Development, Claims Submission, Adjudication, Claim Inquiry Pending
- Payment – Reimbursement Validation, Denials/Appeals, Receivables, Collection

