

GUIDE: Cost Reimbursement Related to Health IT Expenses

Cost-based facilities are reimbursed by Medicare and Medicaid based on actual program costs incurred during the year. Examples of cost-based facilities in Nevada include critical access hospitals (CAH) and skilled nursing facilities (SNF).

CAHs are reimbursed by Medicare and Nevada Medicaid based on an interim rate established from the routine and ancillary program costs and settled on the cost report at the end of the year. A new interim rate is established based on that cost report and later settled when the following year's cost report is filed.

Direct and indirect expenses related to treating patients are reimbursable costs by Medicare and/or Medicaid on the cost report. Expenses incurred by a facility for health IT and subscription fees are recognized as allowable indirect expenses and can also be claimed for reimbursement.

Similar to CAHs, hospital-based SNFs are also reimbursed by Nevada Medicaid on an interim rate and settled on the cost report. Free-standing SNFs are reimbursed by Nevada Medicaid on a facility-specific rate, which is calculated quarterly and is based on acuity and case mix, in addition to cost.

Fees related to health information exchanges (HIE) and electronic health record (EHR) vendor fees can be recouped through the cost reporting process. A simplified reimbursement calculation is outlined below:

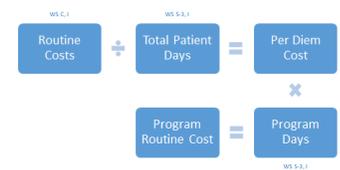
Typical One-Time Cost of EHR Vendor Interface to HIE	\$8,000
Annual Subscription to HealthiE Nevada	\$5,000
Total Year One Cost	\$13,000
Medicare Cost Report and Medicare Coverage Database	75%
Estimated Reimbursable Amount	\$9,750
Actual Year One Cost	\$3,250
Subsequent Years	\$1,250

For more information, call 855-4-THE-HIE (855-484-3443) or email hie@healthinsight.org.

Fixed assets, such as computer equipment, must be capitalized, however the applicable depreciation for the year is recognized as a reimbursable expense, as is the related monthly/annual subscriptions. The program portion of these expenses are included in the routine and ancillary reimbursement calculations.

The inpatient portion of the program expenses are calculated based on the combination of the routine and ancillary costs. The outpatient portion of the program expenses are calculated based on the ancillary costs. The inpatient routine program cost calculation is summarized in the first diagram below. The inpatient and outpatient program cost calculation is summarized in the second diagram below. The third diagram combines the inpatient routine and inpatient ancillary costs.

Routine Program Cost



Ancillary Program Cost



Program Settlement Cost

