



HOSPICE PER-BENEFICIARY PAYMENT LIMITATION DECREASES

The U.S. Center for Medicare and Medicaid Services (CMS) issued Transmittal No. 64 on August 19, 2005, stating that the cap on total Medicare payments to hospices was incorrectly computed in 2004. Accordingly, the rate for 2005 has been set at \$18,963; this is \$672 less than the previous year's amount.

Concerns to Hospices

Hospices have two significant concerns:

- 1) Is a retroactive 2004 calculation forthcoming that could substantially change any estimated over-payments for the prior year?
- 2) How does lowering the limitation pose potential financial issues for hospices not previously impacted by the cap, especially as they continue to serve increasing numbers of non-cancer hospice patients?

The National Hospice and Palliative Care Organization (NHPCO) estimates that 10 percent of the nation's hospices are already impacted by the aggregate payment limitation.

HOSPICE EDUCATIONAL OFFERINGS

Health Services Publishing and Management, a division of Dixon Hughes PLLC, is pleased to announce the offering of two separate educational programs on January 9 – 10, 2006:

- Comprehensive Hospice Cost Reporting and Reimbursement Management Training
- Leadership Development for Healthcare Managers

The programs are being offered at the Sirata Beach Resort and Conference Center at St. Pete Beach, Florida. For additional details e-mail mpringle@dixon-hughes.com or visit www.healthspm.com.

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NEWLY FORMED HHFMA

The National Association for Home Care and Hospice (NAHC) has created the Home Care & Hospice Financial Managers Association (HHFMA). For many years NAHC sponsored an informal Financial Managers Work Group, which brought together experts in the fields of finance and management along with key executives in the home care and hospice industries. The creation of HHFMA demonstrates the importance of financial direction and input regarding industry issues.

We encourage you to look at the opportunities and benefits from initial charter membership in this organization. For additional information contact Debi Blanken, Manager of NAHC Membership Services, at drm@nahc.org or call 202.547.7424.

IRS CLARIFIES RELATIONSHIP BETWEEN EXCESS BENEFITS AND EXEMPT STATUS

The IRS has issued a proposed rule that would amend the regulations under the Internal Revenue Code section 501(c)(3) to provide guidance on factors that the IRS will consider in determining whether a tax-exempt organization that engages in one or more excess benefit transactions can continue as exempt under 501(c)(3). The rule also clarifies the relationship between the substantive requirements for tax exemption and the imposition of excise taxes under section 4958 (also referred to as the "intermediate sanctions" rule) on the recipient of the excess benefit. In addition, the rule discusses how the IRS will determine whether excess benefit transactions could jeopardize an organization's exempt status.

In determining whether an exempt organization that engages in excess benefit transactions can continue to maintain its tax-exempt status when excise taxes also apply, the IRS said it would consider the following factors:

- The size and scope of the organization's regular on going activities before and after the allegations;
- The size and scope of the transactions;
- Whether the organization has been involved in repeated excess benefit transactions;
- Whether the entity has implemented safeguards that are reasonably calculated to prevent future violations; and
- Whether the transactions have been corrected or the organization has made good faith efforts to redress the granted benefit.

The IRS is paying close attention to executive compensation as part of its efforts to evaluate the accountability of exempt organizations. Recently, the agency has proposed changes to Schedules A and B of Form 990 to obtain more specific compensation information.

HOSPICE PAYMENT RATES

The Hospice Payment Rates for FY 2006 increased by 3.7 percentage points over the FY 2005 rates. This is the total market basket percentage increase forecasted for FY 2006, and the payment rates are effective for care and services furnished on or after October 1, 2005 through September 30, 2006.

The national payment rates for revenue codes 651, 652, 655 and 656 for October 1, 2005 through September 30, 2006 are listed in the following table:

Code	Description	Rate	Wage Component Subject to Index	Non-Weighted Amount
651	Routine Home Care	\$126.49	\$86.91	\$39.58
652	Continuous Home Care Full Rate = 24 hours of care at \$30.76 hourly rate	\$738.26	\$507.26	\$231.00
655	In-patient Respite Care	\$130.85	\$70.83	\$60.02
656	General In-patient Care	\$562.69	\$360.18	\$202.51

Use of Core Based Statistical Area (CBSA) Codes

Hospice providers are advised that Medicare will use Core Based Statistical Area (CBSA) codes for purposes of wage index adjustment of hospice claims. Accordingly, the Center for Medicare and Medicaid Services (CMS) reminds hospices to:

- Submit the CBSA code corresponding to the state and county of the beneficiary's home in value code 61 on claims that include routine home care or continuous home care (Table D in the Federal Register can be used to identify the appropriate CBSA designations for each county);
- Use the Federal Register table associating states and counties to CBSA codes (codes in the range 10020-49780 and 999xx rural state codes) to determine the code to report in value code 61 (Table A in the Federal Register can be used to identify CBSA codes for urban areas, and Table B identifies CBSA codes for rural areas.); and
- Use a special code in the 50xxx range in place of the CBSA code for those counties where such a special code is required. (These counties can be found in the Federal Register Table C.)

The Federal Register tables may be found in the notice at

<http://www.cms.hhs.gov/providerupdate/regs/cms1286f.pdf> on the CMS web site.

COMMUNITY BENEFIT REPORTING BY TAX-EXEMPT HOSPICES IN FINANCIAL STATEMENTS

As we reported in the Spring Issue of *Hospice Care News: InContext*, significant discussion is occurring throughout the healthcare industry and with accounting firms serving healthcare providers regarding the practice of reporting charity care. In particular there is discussion regarding community benefit reporting in the financial statements of these healthcare providers.

HOSPICE CARE NEWS: IN CONTEXT

Hospice Care News: In Context is a quarterly publication intended for Administrators, CEOs, CFOs, accounting personnel, compliance officers and clinical management personnel at hospice providers. The publication is intended to:

- Highlight current developments relating to financial and compliance matters for hospice providers
- Address cost reporting issues for providers
- Notify providers of educational offerings for hospice personnel
- Provide informative, although limited, discussion of topics of interest in the management of hospice providers

The newsletter is intended to benefit all types of hospice providers, whether they be free-standing, hospital based, home health agency based, tax-exempt, proprietary, or governmental.

Other providers that deal continuously with hospice providers, such as nursing homes, home health agencies, physicians or hospitals may also find the newsletter of benefit to them. It may also be of benefit to Board members or others responsible for oversight of the activities of a hospice. If you desire others to receive a copy of this newsletter, do not hesitate to contact us.

Your comments regarding this newsletter, including ideas for future topics, are also appreciated.

LOCATIONS

Alabama

Birmingham 205.212.5300

Georgia

Atlanta 404.575.8900

North Carolina

Asheville 828.254.2254

Boone 828.262.0997

Burnsville 828.682.2876

Charlotte - Southpark 704.367.7020

Charlotte - Uptown 704.334.3600

Durham 919.484.0630

Greensboro 336.383.5200

Greenville 252.321.0505

Hendersonville 828.692.9176

High Point 336.889.5156

Raleigh 919.876.4546

Rockingham 910.895.4014

Salisbury 704.636.9090

Sanford 919.776.0555

Southern Pines 910.692.8555

Sylva 828.586.6200

Thomasville 336.889.5156

Winston-Salem 336.714.8100

South Carolina

Greenville 864.288.5544

Spartanburg 864.583.5800

Tennessee

Memphis 901.684.2277

Texas

Dallas/Fort Worth 817.276.4100

West Virginia

Clarksburg 304.622.0804

To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.



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Key Issues Under Discussion:

- Identifying appropriately charity care versus contractual adjustments versus bad debts
- Reporting charity care in the disclosures to the financial statements at cost of charity care rather than at foregone charges
- Reporting Medicaid reimbursement shortfall compared to expenses incurred
- Making determinations of the costs of charity care

The proper reporting of charity care is important to appropriately presenting financial operations and community benefit to support mission, as well as for maintaining tax-exempt status. We encourage your comments and input as healthcare providers concerning the charity care process, reporting and other issues deemed worthy of consideration. The Health Care Expert Panel of the American Institute of Certified Public Accountants has made considerable efforts regarding these issues. If you want to follow activities relating to these issues, visit www.aicpa.org and go to Accounting Standards, Industry Panels and Healthcare.

Submit any comments to:

William T. Cuppett, CPA

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HOSPICE EDUCATION - 2006

Dixon Hughes PLLC is developing its 2006 Hospice Education Calendar presenting national and state hospice educational offerings across the country. State associations are invited to participate in this free publication by submitting program details. To ensure you receive the calendar, e-mail mpringle@dixon-hughes.com to request your complimentary copy.