

Treatment of Costs of non-FQHC Provider Types During A&I Rate Setting Audits

Issue:

During audits of initial PPS rate setting and change of scope of services rate reviews, Audits & Investigations (A&I) disallows the costs of providers who are not FQHC-eligible provider types.

The specific adjustment reads: "To reclassify expenses related to nonreimbursable [provider type] visits to a nonreimbursable cost center."

Per the regulations referenced in the adjustment, 42 CFR 405.2470, 413.20 and 413.24, and CMS Publication 15-1 Section 2304, the provider is to maintain and furnish adequate documentation to substantiate Medicare payments received and costs incurred. Per 42 CFR 413.9, "All payments to providers of services must be based on the reasonable cost of services covered under Medicare and related to the care of beneficiaries. Reasonable cost includes all necessary and proper costs incurred in furnishing the services, subject to principles relating to specific items of revenue and cost." Per CMS Publication 15-1 Section 2328, general service costs should be distributed first to General Service Cost Centers and then to nonallowable cost centers.

Examples of nonreimbursable providers according to A&I include, but are not limited to: registered nurses, health educators, ASW, nutritionist.

Position:

A&I should include the costs of non-FQHC provider types who contribute to patient care. These expenses are reasonable costs, necessary and proper costs incurred that are related to the care of patients.

Non-FQHC providers furnish services incident to a physician or midlevel practitioner. Under Medicare regulations, FQHC services include not only services by an FQHC provider type (physician, nurse practitioner, physician assistant, certified nurse midwife, clinical psychologist and clinical social worker), but services and supplies "incident to" the services of those provider types. Per the Medicare Benefit Policy Manual, Ch. 13, § 120.3: "The cost of providing these services may be included on the cost report, but the provision of these services does not generate a billable visit."