

# MAC Denials of Pass-Through Treatment of Costs of Allied Health Programs Operated by Hospitals Continue and are Spreading

Insights

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Hooper, Lundy and Bookman (HLB) would like to make its hospital clients and friends aware that Medicare Administrative Contractor (MAC) denials of pass-through treatment of the costs of accredited allied health programs operated by hospitals continue and appear to be spreading. National Government Services (NGS) has joined Noridian Health Care Solutions (Noridian) in denying pass-through treatment to allied health programs that have been granted reasonable cost reimbursement for decades pursuant to 42 C.F.R. §413.85(f).

MACs have been denying pass-through treatment of the costs of allied health programs, e.g., nursing, pharmacy, pastoral allied health programs, and specialized training programs such as radiology and emergency medical services, on the ground that any administrative support by a home office ( e.g., processing the payroll or the provision of HR, IT and Legal services) means that the hospital does not operate and control the program. In addition, MACs have been applying various provisions in the regulation in a narrower manner than previously, e.g., where tuition payments are initially sent to another entity but are ultimately entered on the hospital's books and records. Finally, MACs have found "shared programs," i.e., where residents rotate to different hospitals in the health care system, to be a ground for denying pass-through payment.

Other grounds cited by MACs for the adjustments include the name of the entity on the graduation diploma (many chain hospital organizations use their "brand" and not the name of the individual hospital issuing the diploma), the involvement of accrediting organizations or hospital advisory committees in the development of the course curriculum when accreditation standards require such involvement, and the role of a hospital foundation in supporting a program where it makes no substantive decisions.

Reclassification of these costs to the Administrative & General (A&G) cost center may mean that a provider will receive no payment for the costs of an allied health program. Once an adjustment is made, the MAC is denying pass-through treatment of the program in subsequent years, often relying only on the previous year's adjustment. For health systems with multiple hospitals, losses, including those over a number of years, can be significant. Indeed, loss of revenue on this basis may jeopardize the continued viability of many hospital allied health programs.

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To address an improper denial of pass-through treatment, direct action, such as filing a PRRB appeal for each affected cost reporting period, may be required, as well as properly protesting the denials of these costs on the Medicare cost report for any denial in subsequent cost years.

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HLB is prepared to assist hospitals in the appeal of these adjustments by addressing the MACs' wrongful application of regulatory requirements resulting in the denial of pass-through treatment of the costs of allied health programs. If you would like more information about this issue or are interested in engaging HLB to challenge your hospital's adjustments to its allied health education costs and the loss of pass-through treatment, please contact [Arthur Peabody](#) or [Bob Roth](#) Washington, D.C.

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