

MACs Improperly Eliminate Pass-Through Treatment of Hospital Allied Health Program Costs

Insights

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Hooper, Lundy & Bookman, P.C. (HLB) wants to make hospitals aware of current adjustments being imposed by certain MACs denying pass-through treatment of allied health program costs, including nursing, pharmacy and pastoral care. The denial of pass-through treatment is based on the view of some MACs that any administrative involvement by a home office means that the hospital does not appropriately incur the costs of the allied health program and do not, as a result, comply with 42 C.F.R §413.85(f). We expect that this improper practice could spread to other MACs.

This is improper because nearly all hospital chains use a home office to perform administrative functions for their hospitals, such as processing payroll, and these costs are allocated to each of the hospitals in the chain. Such functions, and the allocation of various administrative costs, does not mean that a hospital does not operate, control, or incur the costs of its allied health programs. The denial of pass-through treatment of allied health programs also is improper because it reverses long-standing agency policy that has been in place since at least 1984, without appropriate authority.

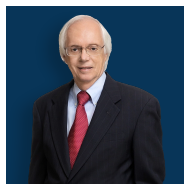
Reclassification of these costs to the Administrative & General cost center may mean that a hospital will receive **no payment** for the costs of its allied health programs. For health systems with multiple hospitals, the losses can be significant and the financial impact severe. Direct action, such as properly protesting the potential denials of these costs in the Medicare cost report and filing a PRRB appeal for each affected cost reporting period, may be required to address this improper denial of pass-through treatment.

HLB is prepared to assist hospitals with this issue. If you would like more information or need assistance, please contact [Arthur Peabody](#), [Kelly Carroll](#), [Bob Roth](#), or [David Vernon](#) in DC, [Katrina Pagonis](#) in San Francisco, [Lloyd Bookman](#), [Nina Marsden](#) or [Alicia Macklin](#) in Los Angeles, [Amy Joseph](#) in Boston, or your regular Hooper, Lundy & Bookman contact.

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