### Determination of cost of routine SNF-type and ICF-type services and general routine hospital services

#### Calculation of cost of routine SNF-type services applicable to Medicare:

\[ \text{Cost of SNF-type services: } \$35 \times 400 = \$14,000 \]

#### Calculation of cost of general routine hospital services:

- Cost of SNF-type services: \$35 \times 400 = \$14,000
- Cost of ICF-type services: \$20 \times 100 = \$2,000

\[ \text{Total cost of general routine hospital services: } \$16,000 \]

#### Average cost per diem of general routine hospital services:

\[ \frac{\$250,000}{2,000 \text{ days}} = \$117 \]

#### Medicare general routine hospital cost:

\[ \$117 \times 600 = \$70,200 \]

#### Total Medicare reasonable cost for general routine inpatient days:

\[ \$10,500 + \$70,200 = \$80,700 \]

---

### Payments to providers: General

#### (a) Reimbursement on a reasonable cost basis.

Providers of services paid on the basis of the reasonable cost of services furnished to beneficiaries will receive interim payments approximating the actual costs of the provider. These payments will be made on the most expeditious schedule administratively feasible but not less often than monthly. A retroactive adjustment based on actual costs will be made at the end of a reporting period.

#### (b) Amount and frequency of payment.

Medicare states that providers of services will be paid the reasonable cost of services furnished to beneficiaries. Since actual costs of services cannot be determined until the end of the accounting period, the providers must be paid on an estimated cost basis during the year. While Medicare provides that interim payments during the year, the intent is that the interim payments shall approximate actual costs as nearly as is practicable so that the retroactive adjustment based on actual costs will be as small as possible.

#### (c) Interim payments during initial reporting period.

At the beginning of the program, when a provider first participates in the program, it will be necessary to establish interim rates of payment to providers of services. Once a provider has filed a cost report under the Medicare program, the cost report may be used as a basis for determining