§ 417.533 Part B carrier responsibilities.

In paying for Part B services furnished to its enrollees by suppliers, the HMO or CMP must—

(a) Determine the eligibility of individuals to receive those services through the HMO or CMP;

(b) Make proper coverage decisions and appropriate payment as authorized under § 421.200 of this chapter for the services for which its Medicare enrollees are eligible; and

(c) Carry out any other procedures that CMS may require.

§ 417.534 Allowable costs.

(a) Definition—Allowable costs means the direct and indirect costs, including normal standby costs incurred by the HMO or CMP, that are proper and necessary for efficient delivery of needed health care services. They include the costs of furnishing services to the HMO’s or CMP’s Medicare enrollees,
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§ 417.536 Cost payment principles.

(a) Applicability. Unless otherwise specified in this subpart, the principles set forth in parts 412 and 413 of this chapter are applicable to the costs incurred by an HMO or CMP, or by providers and other facilities owned or operated by the HMO or CMP or related to it by common ownership or control. The most common examples of these costs are set forth in this section.

(b) Depreciation. An appropriate allowance for depreciation on buildings and equipment is an allowable cost, in accordance with §§ 413.134, 413.144, and 413.149 of this chapter.

(c) Interest expense. Necessary and proper interest on both current and capital indebtedness is an allowable cost, in accordance with § 413.153 of this chapter.

(d) Cost of educational activities. An appropriate part of the net cost of approved educational activities of a provider or other health care facility owned or operated by an HMO or CMP is an allowable cost in accordance with § 413.85 of this chapter.

(e) Compensation of owners. An appropriate amount of compensation for services of owners is an allowable cost, if the services are actually performed and necessary, as specified in § 413.102 of this chapter.

(f) Bad debts. (1) In accordance with § 413.80 of this chapter, bad debts are deductions from revenue and may be included as allowable costs only if—

(i) They are attributable to Medicare deductible and coinsurance amounts for which the Medicare enrollee is liable; and

(ii) The HMO or CMP has made a reasonable, but unsuccessful, effort to collect those amounts.

(2) If all or part of the deductible and coinsurance amounts is payable through a monthly premium or other periodic payment, the amount allowed as a bad debt may not exceed three times the monthly rate for the actuarial value of the deductible and coinsurance amounts, or its equivalent, if the periodic payment is on other than a monthly basis.

(3) Any bad debt related to a service furnished to a Medicare enrollee of the HMO or CMP, and claimed on a cost report submitted for payment by a provider or other facility reimbursed on a cost basis, may not be claimed as a bad debt by the HMO or CMP.

(g) Charity and courtesy allowances. As specified in § 413.80 of this chapter, charity and courtesy allowances are deductions from revenue and may not be included as allowable costs.

(h) Research costs. As specified in § 413.90 of this chapter, costs incurred for research purposes, over and above patient care, are not allowable costs.

(i) Value of services of nonpaid workers. The value of services of nonpaid workers of an organization is not an allowable cost, except as provided in § 413.94 of this chapter.

(j) Purchase discounts and allowances and refund of expenses. Discounts and allowances that an HMO or CMP receives on purchases of goods and services and refunds of previous expense payments must be deducted from the costs to which they relate, in accordance with § 413.98 of this chapter.