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Subpart A—General Provisions
§ 415.1 Basis and scope.
(a) Basis. This part is based on the provisions of the following sections of the Act: Section 1848 establishes a fee schedule for payment for physician services. Section 1861(q) specifies what is included in the term "physician services" covered under Medicare. Section 1862(a)(14) sets forth the exclusion of nonphysician services furnished to hospital patients under Part B of Medicare. Section 1886(d)(5)(B) provides for a payment adjustment under the prospective payment system for the operating costs of inpatient hospital services furnished to Medicare beneficiaries in cost reporting periods beginning on or after October 1, 1983, to account for the indirect costs of medical education. Section 1886(h) establishes the methodology for Medicare payment of the cost of direct GME activities.
(b) Scope. This part sets forth rules for fiscal intermediary payments to providers for physician services, Part B carrier payments for physician services to beneficiaries in providers, physician services in teaching settings, and services of residents.

Subpart B—Fiscal Intermediary Payments to Providers for Physician Services
§ 415.50 Scope.
This subpart sets forth rules for payment by fiscal intermediaries to providers for services furnished by physicians. Payment for covered services is made either under the prospective payment system (PPS) to PPS-participating providers in accordance with part 412 of this chapter or under the reasonable cost method to non-PPS participating providers in accordance with part 413 of this chapter.

§ 415.55 General payment rules.
(a) Allowable costs. Except as specified otherwise in §§ 413.102 of this chapter.
§ 415.60 Allocation of physician compensation costs.

(a) Definition. For purposes of this subpart, physician compensation costs means monetary payments, fringe benefits, deferred compensation, and any other items of value (excluding office space or billing and collection services) that a provider or other organization furnishes a physician in return for the physician services. Other organizations are entities related to the provider within the meaning of §413.17 of this chapter or entities that furnish services for the provider under arrangements within the meaning of the Act.

(b) General rule. Except as provided in paragraph (d) of this section, each provider that incurs physician compensation costs must allocate those costs, in proportion to the percentage of total time that is spent in furnishing each category of services, among—

(1) Physician services to the provider (as described in §415.55);

(2) Physician services to patients (as described in §415.102); and

(3) Activities of the physician, such as funded research, that are not paid under either Part A or Part B of Medicare.

(c) Allowable physician compensation costs. Only costs allocated to payable physician services to the provider (as described in §415.55) are allowable costs to the provider under this subpart.

(d) Allocation of all compensation to services to the provider. Generally, the total physician compensation received by a physician is allocated among all services furnished by the physician, unless—

(1) The provider certifies that the compensation is attributable solely to the physician services furnished to the provider; and

(2) The physician bills all patients for the physician services he or she furnishes to them and personally receives the payment from or on behalf of the patients. If returned directly or indirectly to the provider or an organization related to the provider within the meaning of §413.17 of this chapter, these payments are not compensation for physician services furnished to the provider.

(e) Assumed allocation of all compensation to beneficiary services. If the provider and physician agree to accept the assumed allocation of all the physician services to direct services to beneficiaries as described under §415.102(a), CMS does not require a written allocation agreement between the physician and the provider.

(f) Determination and payment of allowable physician compensation costs. (1) Except as provided under paragraph (e)