

Department of Health and Human Services

**OFFICE OF  
INSPECTOR GENERAL**

**HEARTLAND OF TAMARAC,  
A SKILLED NURSING FACILITY,  
BILLINGS AND COSTS FOR  
ANCILLARY MEDICAL SUPPLIES  
FOR THE PERIOD JANUARY 1, 1993  
THROUGH DECEMBER 31, 1994**

The designation of financial or management practices as questionable or a recommendation for the disallowance of costs incurred or claimed as well as other conclusions and recommendations in this report represent the findings and opinions of the HHS/OIG/OAS. Final determination on these matters will be made by authorized officials of the HHS operating divisions.



**JUNE GIBBS BROWN**  
Inspector General

**October 1997**  
A-09-96-00091



Region IX  
Office of Audit Services  
50 United Nations Plaza  
San Francisco, CA 94102

OCT 21 1997

CIN: A-09-96-00091

Mr. Edward S. Shamrock  
Director Medicare Audit and Reimbursement  
AdminaStar Federal  
P.O. Box 145482  
Cincinnati, Ohio 45250-5482

Dear Mr. Shamrock:

This report provides you with the results of an Office of Inspector General (OIG) audit of Heartland of Tamarac's (Heartland) billings to Medicare for ancillary medical supplies and its associated costs as claimed on its Medicare cost reports for calendar years ended (CYE) December 31, 1993 and December 31, 1994. Heartland is one in a chain of 127 skilled nursing facilities (SNFs).

During this 2-year period, Heartland billed Medicare about \$235,000 for items identified as ancillary medical supplies (i.e., medical supplies not included in the patient's daily routine care) and \$342,000 for items identified as ancillary pharmacy supplies. It claimed costs of about \$93,000 for ancillary medical supplies and about \$295,000 for the ancillary pharmacy supplies.

The objective of our review was to determine if unallowable charges had been billed to Medicare and if inappropriate costs had been claimed on the cost reports for ancillary medical supplies.

According to Medicare reimbursement rules, items and services that can be considered ancillary are limited to only those items and services that are directly identifiable to an individual patient, furnished at the direction of a physician because of special medical needs, and are either not reusable, represent a cost for each preparation, or are complex medical equipment.

Our audit of a judgement sample of the costs for 127 ancillary medical supply items showed that 31 of the items, or about 24 percent, were misclassified on the Medicare cost reports. In addition, our judgement sample of 149 items billed to Medicare as ancillary pharmacy items showed that 20 items, or about 13 percent, were actually routine medical supplies. We did not quantify the full impact of the misclassified costs and billing

errors as our review was limited to determining what types of items and services were classified as ancillary and were inappropriate as such.

We also found that the HCRC master list that classified each medical supply item or pharmacy item as routine or ancillary (including the current version used at the time of our review) contained items that were not properly classified according to Medicare's rules. Given that the procedures used in classifying medical supplies were also used by all 127 facilities in the chain, the impact of the errors could be substantial.

The improper classifications occurred because Health Care and Retirement Corporation (HCRC), the home office for Heartland, relied on its customary practice of charging all patients for certain medical supplies as its basis for classifying the medical supplies. According to staff at HCRC, items were classified as ancillary if those items were uniformly billed to all patients. This policy, however, conflicted with Medicare's rules that classify certain items or services furnished by a SNF as routine regardless of the customary practices followed by that provider.

We recommend that AdminaStar Federal, the fiscal intermediary (FI) for HCRC during the audit period, ensure that HCRC:

- ▶ Reviews its master list to identify and correct all of its classifications of ancillary medical and pharmacy supplies that should be treated as routine,
- ▶ Determines the fiscal impact for the ancillary pharmacy billing errors and the incorrectly claimed costs for routine medical supplies,
- ▶ Makes an appropriate refund to Medicare for the period January 1, 1993 through December 31, 1995,
- ▶ Determines that its cost report for CYE 1996 accurately reflected proper ancillary pharmacy billings and costs claimed for ancillary medical supplies and makes an appropriate refund to Medicare, if necessary, and
- ▶ Does not bill future routine items as ancillary or claim routine costs as ancillary.

In their responses to our draft report, both HCRC and AdminaStar Federal did not concur with our findings and recommendations. An official at HCRC stated that it had complied with Medicare's rules and no changes were needed. AdminaStar Federal's response

stated that the items that we identified were ancillary because HCRC had a separate charge for each and had appeared to charge all patients the same. The HCRC's response and AdminaStar Federal's response are attached as appendices.

We believe that our findings and recommendations remain valid. Both HCRC and AdminaStar Federal are incorrect in their interpretation of Medicare's rules regarding the classification of the items we noted in our review.

## INTRODUCTION

### Background

As part of the Department of Health and Human Services' efforts to combat fraud, waste, and abuse, the OIG, in partnership with the Health Care Financing Administration (HCFA) and the Administration on Aging, undertook an initiative called Operation Restore Trust. This project was designed to specifically target Medicare and Medicaid abuse and misuse in nursing home care, home health care, and durable medical equipment, three of the fastest growing areas in Medicare.

The OIG's audit of the Heartland of Tamarac SNF was one of several conducted in a national review of ancillary medical supplies. States included in this review were California, Florida, Illinois, New York, and Texas. As part of this national review, we identified those SNFs which had significantly higher medical supply costs than comparable SNFs.

We selected Heartland for this review because, even though its medical supply costs were not excessive when compared with other SNFs of similar size in Florida, its pharmacy charges were greater than other comparable Florida SNFs.

Heartland of Tamarac is located in Tamarac, Florida, and is a member of the HCRC chain of 127 nursing facilities. The HCRC prepared the cost reports and provided other financial and accounting services to Heartland.

Medicare generally reimburses SNFs on a reasonable cost basis as determined under principles established in the law and regulations. In order to determine their reasonable costs, providers are required to submit cost reports annually, with the reporting period based on the provider's fiscal accounting year. The SNFs are paid on an interim basis (based upon their billings to Medicare) and the cost report is used to arrive at a final

settlement. Costs are classified on the cost report as either routine or ancillary.

Routine services are generally those services included by the provider in a daily service--sometimes referred to as the "room and board" charge. Included in routine services are the regular room, dietary and nursing services, minor medical and surgical supplies, and the use of certain equipment and facilities for which a separate charge is not customarily made.

According to Medicare rules, ". . . the following types of items and services. . . are always considered routine in an SNF for purposes of Medicare cost apportionment, even if customarily considered ancillary by an SNF:

"0 All general nursing services, including administration of oxygen and related medications. . . handfeeding, incontinency care, tray service, enemas, etc.

"0 Items which are furnished routinely and relatively uniformly to all patients, e.g., patient gowns, paper tissues, water pitchers, basins, bed pans, deodorants, mouthwashes.

"0 Items stocked at nursing stations or on the floor in gross supply and distributed or utilized individually in small quantities, e.g., alcohol, applicators, cotton balls, bandaids, antacid, aspirin, (and other nonlegend drugs ordinarily kept on hand), suppositories, tongue depressors.

"0 Items which are utilized by individual patients but which are reusable and expected to be available in an institution providing an SNF level of care, e.g., ice bags, bed rails, canes, crutches, walkers, wheelchairs, traction equipment, other durable medical equipment (DME) which does not meet the criteria for ancillary services in SNFs under §2203.2, and the requirements for recognition of ancillary charges under §2203....

"0 Special dietary supplements used for tube feeding or oral feeding, such as elemental high nitrogen diet, even if written as a prescription item by a physician...." (Provider Reimbursement Manual, section 2203.1)

Ancillary services are those services directly identifiable to individual patients, such as laboratory, radiology, drugs, medical supplies, and therapies. Section 2203.2 of the Provider Reimbursement Manual, effective during our audit period,<sup>1</sup> specified that certain items and services could be considered ancillary if they met each of the following three requirements:

"0 direct identifiable services to individual patients, and

"0 furnished at the direction of a physician because of specific medical needs, and

"0 one of the following:

- Not reusable - e.g., artificial limbs and organs, braces, intravenous fluids or solutions, oxygen (including medications), disposable catheters;

- Represent a cost for each preparation, e.g., catheters and related equipment, colostomy bags, drainage equipment, trays and tubing; or

- Complex medical equipment - e.g., ventilators, intermittent positive pressure breathing (IPPB) machines, nebulizers, suction pumps, continuous positive airway pressure (CPAP) devices, and bead beds such as air fluidized beds."

Medicare pays its portion of a provider's reasonable costs based upon an apportionment between program beneficiaries and other patients so that Medicare's share of the costs is based on services received by Medicare beneficiaries. For routine costs, Medicare's share is determined on the basis of a ratio of Medicare patient days to total patient days. For ancillary costs, Medicare's share is determined on the basis of the ratio of total covered beneficiary charges for ancillary services to total patient charges for such services.

Classifying costs as ancillary rather than as routine can result in higher Medicare reimbursement to SNFs because of two factors.

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<sup>1</sup> This section was revised effective March 1995. The phrase "furnished at the direction of a physician because of specific medical needs" (see next page) was replaced by "not generally furnished to most patients." In addition, "support surfaces" was added as another option for the third requirement.

First, SNFs generally have higher Medicare utilization for ancillary services than for routine services. That is, Medicare eligible patients generally receive more ancillary services than other patients but comprise a smaller portion of the total number of patients. Thus, Medicare's share of ancillary costs is usually greater than its share of routine costs. Second, Federal law (specifically, section 1888 of the Social Security Act) limits Medicare reimbursement for SNFs' routine costs to 112 percent of the mean operating costs of other similar SNFs. Thus, Medicare does not share in routine costs exceeding the Federal limit, unless the provider applies for and receives an exception from HCFA.

The HCFA administers the Medicare program and designates certain fiscal intermediaries to perform various functions, such as processing Medicare claims, performing audits, and providing consultative services to assist SNFs as providers. AdminaStar Federal served as the FI for all of HCRC's facilities during the 2-year period of our audit.

#### **Objective, Scope and Methodology**

Our objective was to determine if unallowable charges had been billed to Medicare and inappropriate costs had been claimed on the Medicare cost reports for ancillary medical supplies for the 2-year period ended December 31, 1994.

According to its audited cost reports, Heartland billed Medicare \$126,448 for ancillary medical supplies for CYE December 31, 1993 and \$108,433 for CYE December 31, 1994 (a total of \$234,881). It claimed \$70,085 as costs for these supplies for CYE December 31, 1993 and \$22,871 for CYE December 31, 1994 (a total of \$92,956). Heartland also billed Medicare \$151,940 for ancillary pharmacy items for CYE December 31, 1993 and \$189,799 for CYE December 31, 1994 (a total of \$341,739) and claimed \$124,967 as costs for these items for CYE December 31, 1993 and \$170,001 for CYE December 31, 1994 (a total of \$294,968).

To accomplish our objective, we reviewed a judgmental sample of 99 medical supply line items billed to Medicare as ancillary medical supplies (totaling \$2,831) and discussed billing procedures with Heartland staff. We also reviewed 149 line items for pharmacy billings (totaling \$6,155). To select our billings, we chose several Medicare patients and then reviewed all charges to Medicare for those patients.

In addition, we gained an understanding of Heartland's accounting system, reconciled the amounts claimed on the Medicare cost reports for ancillary medical supplies to the

accounting records, and examined a judgmental sample of 127 ancillary medical supply line items that were treated as ancillary costs (totaling \$17,027). For our judgmental sample of 127 line items, we selected invoices of those vendors that appeared to us to account for the most costs in each account.

Since Heartland classified medical supplies according to the HCRC's master list, we reviewed the current master list to determine if it contained routine items that were classified as ancillary medical supplies.

We relied on the FI's medical review staff to determine whether the sampled items were properly classified as ancillary using Medicare's guidelines. Because our samples were not random, we cannot project the results to the total billings or costs claimed.

Our review was made in accordance with generally accepted government auditing standards. The field work was performed at Heartland's skilled nursing facility in Tamarac, Florida during September 1996.

#### FINDINGS AND RECOMMENDATIONS

We found that some routine medical supplies were billed to Medicare as ancillary pharmacy supplies and some medical supply costs were misclassified as ancillary costs on the Medicare cost reports.

Of the 149 line items billed as ancillary pharmacy supplies that we examined, we found that 20 items, or about 13 percent, were actually routine and should not have been billed to Medicare. The inappropriate billings for ancillary pharmacy items totaled \$201, or about 3 percent of the total amount we examined (\$6,155). The following 14 routine medical supplies were misclassified as ancillary (some occurred more than once):

Abdominal binder	Docusate
Anusol HC 2.5% cream	Glycerin
APAP (acetaminophen)	Hydrocil
Aspirin	Robitussin
Biscodyl	Tearisol
Cepacol	Triple-antibiotic, and
Chloraseptic	Vitamins

We also examined 99 line items billed as ancillary medical supplies. We found only one item, a specimen container for \$1.54, which should not have been billed to Medicare.

In addition, of the 127 line items of ancillary medical supply costs that we examined, we found that 31 items, or about 24 percent, were actually routine medical supplies and should not have been classified as ancillary medical supply costs on the Medicare cost reports. The inappropriate costs for these items totaled \$4,296, or about 25 percent of the total amount we examined (\$17,027). Listed below are the routine items classified as ancillary costs that we found at Heartland:

Adhesive sheer strips	Nutren (food supplement)
Aloe Vesta protective ointment	Pad, bed rail
Basin and pitcher	Peri wash
Bed pan	Replete (food supplement)
cups	Specimen kit
Enema kit, bag style	Wedge cushion, vinyl covered
Gauze sponge, unsterile	Wheel chair floatation cushion
Gauze, unsterile	Wheel chair safety belt, and
Gloves	Wheelchair arm tray & foot
Nutravent (food supplement)	support

Because our samples were not chosen in a random manner, the results we noted may not necessarily be representative of the total ancillary billings or costs included as ancillary on the cost reports.

The HCRC master list that classified each medical supply item or pharmacy item as routine or ancillary (including the current version used at the time of our review) contained items that were not properly classified according to Medicare's rules and the bulletins published by AdminaStar Federal. Listed below are 30 routine items that we noted that were classified as ancillary on HCRC's current master list:

Adhesive remover spray	Gauze non-adhesive Telfa
Alcohol, 70% isopropyl	unsterile
Bactine	Gauze post-op, unsterile
Barrier film, protective wipes	Gauze Versln sponge, unsterile
Cleanser, nursing care	KRLX roll, unsterile
Cotton tip applicator	Pad, elbow
Curi-Strip (bandaids)	Scissors, sharp/blunt
Douche kit, vaginal irrigation	Showerhead tip with soft
Enema, Gent-L-Tip	shield
Enema, kit bucket style	Soap, enema Castile
Enema, mineral oil	Specimen cup
Enema, regular fleet	Stockinette
Enteral container, bulk	Strap, Montgomery
Gauze conform, unsterile	Swabstick
Gauze cover sponge, unsterile	Tongue blade
Gauze KRLX sponge, cleaning	Utility bowl

This list does not represent all items on the chain's master list that may be incorrect. However, given that the procedures used in classifying medical supplies were also used by all 127 facilities in the chain, the impact of the errors could be substantial. The HCRC will need to review its entire master list to identify all improper classifications.

Under Medicare's rules (see pages 3, 4, and 5 of this report), certain items and services should always be considered as routine. In order to be classified as ancillary, the item or service must be directly identifiable to an individual patient, furnished at the direction of a physician because of special medical needs, and be either not reusable, represent a cost for each preparation, or be complex medical equipment.

The billings and costs we identified were for supplies that did not meet the specific requirements for treatment as ancillary medical supplies or ancillary pharmacy items. As a result, Medicare may have overpaid Heartland and other HCRC facilities. We did not quantify the impact of the unallowable billings or misclassified costs as our review was limited to determining what types of supplies were billed as ancillary or claimed as ancillary costs and were inappropriate as such.

The improper cost classifications occurred because Heartland relied on its customary charging practice instead of Medicare's rules. Heartland's policy did not recognize that Medicare classifies certain items or services furnished by a SNF as routine, regardless of the customary practices followed by that provider.

The Provider Reimbursement Manual specifically lists alcohol, applicators, aspirin (and other nonlegend drugs ordinarily kept on hand), bandaids, basins, bed pans, enemas, mouthwashes, tongue depressors, special dietary supplements used for tube feeding, and water pitchers as routine items or services regardless of the SNF's customary charging practice. We found these items classified as ancillary when we examined Heartland's records.

### **Recommendations**

We recommend that AdminaStar Federal ensure that HCRC:

- ▶ Reviews its master list to identify and correct all of its classifications of ancillary medical and pharmacy supplies that should be treated **as** routine,

- ▶ Determines the fiscal impact for the ancillary pharmacy billing errors and for the incorrectly claimed costs for routine medical supplies,
- ▶ Makes an appropriate refund to Medicare for the period January 1, 1993 through December 31, 1995,
- ▶ Determines that its cost report for CYE 1996 accurately reflected proper ancillary pharmacy billings and costs claimed for ancillary medical supplies and makes an appropriate refund to Medicare, if necessary, and
- ▶ Does not bill future routine items as ancillary or claim routine costs as ancillary.

#### **HCRC's Comments**

In its response, HCRC did not concur that any of the items we identified were routine. It believed that the items billed to Medicare clearly qualified as ancillary. It also objected to the term "unallowable" that we used in our draft report to describe billings and costs that we found to be improper.

The HCRC also disagreed that its master list was inaccurate. It pointed out that HCRC has an exhaustive review process for each item on its master list and that only items that met Medicare's criteria were coded as ancillary. It noted that Medicare did not have a published list of routine or ancillary medical supplies.

The HCRC response contended that all items billed to Medicare met Medicare's criteria of being identifiable to an individual patient, furnished at the direction of a physician, and not reusable. It stated that HCRC properly maintained its master list in accordance with Medicare's rules and no steps were needed by its FI as there were no billing errors.

The response stated that all of the items for supplement feeding were for tube feeding supplies, not food supplements, and thus met the criteria to be billed as ancillary. The HCRC also requested the right to appeal our findings prior to the issuance of our final report.

#### **OIG's Comments**

We continue to believe that the items we identified were routine and that HCRC has not applied the correct criteria to its situation. The Provider Reimbursement Manual specifies the

order of consideration in determining whether items or services are routine or ancillary. Providers should first rely on the list in section 2203.1 of the manual, and then on the common practice by other providers of the same class (i.e., hospital or SNF), and finally if there is no common or established practice followed by a class of providers, a provider can rely on its own customary charging practice. The HCRC appears to have developed its rationale by giving preference to its customary charging practice instead of first relying on section 2203.1 of the manual.

The HCRC is incorrect in its statement that Medicare does not have a published list of items that are always routine. The list (provided in section 2203.1 of the Provider Reimbursement Manual) does not cover all of the reported 750,000 medical products available; however, it and the FI bulletins provide adequate guidance. For example, in the bulletins sent to HCRC by AdminaStar Federal, we found specific reference to aspirin, basins and pitchers, bed pans, and unsterile gloves as routine.

Routine items, such as aspirin, non-legend drugs, special dietary supplements used for tube feeding, and vitamins, can be furnished at the direction of a physician, identifiable to an individual patient, and not reusable. However, these requirements do not take precedence over the Medicare requirement to first treat specific items and services as routine.

With regard to the items used for supplemental feeding, we agree that tube feeding supplies are ancillary. However, in the costs claimed as ancillary we noted food supplements (Nutren, Nutravent, and Replete). These food supplements are specifically listed in 2203.1 as routine.

And finally, there is no provision for HCRC to appeal the OIG's findings prior to issuance of our final audit report. However, HCRC may provide additional comments to the FI after the final OIG report is issued.

#### **FI's Comments**

AdminaStar Federal disagreed with our conclusions on what items were ancillary and, therefore, our recommendations. In its response, it stated that our classification of medical supplies as routine is not in conformance with Medicare program instructions.

It also stated that the regulations "appear to define ancillary services as those services for which the provider has a separate

charge" and, based upon its review of our draft report, it concluded that "All classes of patients appear to be charged for the items which the report identified as routine."

AdminaStar Federal stated that providers must charge Medicare and non-Medicare patients similarly for the item in order for it to be ancillary. As a result, its opinion was that since HCRC's master list appeared to show consistent charging for aspirin, tape, vitamins, etc. then these items must be treated as ancillary. It attached a recent administrative hearing decision (American Health Services, Inc. v. Mutual of Omaha) on diapers to support this position.

### **OIG's Comments**

We relied on Medicare's rules, AdminaStar Federal's own medical reviewers, and its published provider bulletins to form the basis for the proper classification of medical supplies and pharmacy items at HCRC. For example, some items, such as aspirin, bandaids, basins; and bed pans, were listed in AdminaStar Federal's own provider bulletins as routine. These items were also listed in section 2203.1 of the Provider Reimbursement Manual as routine regardless of the provider's charging practice. Our identification of these items as routine was in conformance with Medicare's program instructions.

AdminaStar Federal is incorrect in its use of the provider's charging practice to determine whether the items we noted as routine were ancillary, and this conclusion is in direct conflict with HCFA's position. On June 5, 1997, the HCFA Administrator reversed the decision in American Health Services Inc. v. Mutual of Omaha. He found that the administrative hearing board "misconstrued application of section 2203.2." In making this determination, the Administrator noted that section 2203.1 specifically addressed "the types of items and services which are always [emphasis added] considered routine for purposes of Medicare cost apportionment...."

Final determination as to actions taken on all matters reported will be made by the HHS action official named below. We request that you respond to the HHS action official within 30 days from the date of this letter. Your response should present any comments or additional information that you believe may have a bearing on the final determination. To facilitate

Page 13 - Mr. Edward S. Shamrock

identification, please refer to the common identification number A-09-96-00091 in all correspondence relating to this report.

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Sincerely yours,



Lawrence Frelot  
Regional Inspector General  
for Audit Services

**Direct Reply to HHS Action Official:**

Daly Vargas  
Associate Regional Administrator  
Medicare Division  
Health Care Financing Administration  
U.S. Department of Health and Human Services  
105 West Adams  
Chicago, Illinois 60603

## APPENDICES

***Health Care and Retirement Corporation***

**HCR**

One **SeaGate**  
Toledo, Ohio 43604-2616  
(419) 252-5500

May 28, 1997

CIN: A-09-96-00091

Mr. Lawrence Frelot  
Regional Inspector General for Audit Services  
Department of Health & Human Services  
**Region IX**  
Office of Audit Services  
50 United Nations Plaza  
San Francisco, CA 94102

Dear Mr. Frelot:

This letter is in response to your draft report dated **April 30, 1997**, of the results of an Office of Inspector General (OIG) audit of **Heartland** of **Tamarac** for calendar years ended (CYE) December 31, 1993 and December 31, 1994. Our responses to your findings will refer to the page number and paragraph number of each statement or finding.

Page 1, Paragraph 5: We do not concur with your statement that routine medical supplies were billed to Medicare as **ancillary medical** supplies and ancillary pharmacy items. The **supplies** and items in question were directly identifiable to an individual patient, **furnished** at the direction of a physician because of special medical needs and are not reusable. All of the items and supplies in question were ordered by a physician were for an individual patient, are not reusable, thus these items clearly qualify as ancillary. Additionally, we object to your use of the term unallowable as these costs clearly are allowable and any use of the term denotes a negative connotation that we do not believe you wish to convey.

Page 1, Paragraph 6 (continued on Page 2, Paragraph 1): We do not concur with your statement that Health Care and Retirement Corporation (**HCRC**) does not adequately maintain its master list that classifies each medical supply or pharmacy item as routine or ancillary according to Medicare's rules. HCRC has an exhaustive review process for each item on its master list. Only items that meet Medicare's criteria for ancillary are coded as ancillary. When **making** this decision the following Medicare rules from HCFA Pub. 15-1, Section 2203.2 are used: **supplies** and items that are directly identifiable to an individual patient, furnished at **the** direction of a physician because of special medical needs, and are either not reusable, represent a cost for each preparation or are complex medical equipment. As you know **Medicare** has no published list of items that are always routine or always ancillary. Instead, the above rule clearly states what criteria must be met for an item to qualify as ancillary. HCRC does properly maintain its master list per Medicare rules. Additionally, there should be no steps taken by **AdminiStar** Federal as there were no billing errors.

Mr. Lawrence Frelot  
May 28, 1997

Page 6, Paragraph 3 and 4: We do not concur with your findings that 15% of medical supply items and 15% of pharmacy items were improperly billed as ancillary items. All of the items in question met the following Medicare criteria to be billed as an ancillary: supplies and items in question were directly identifiable to an individual patient, furnished at the direction of a physician because of special medical needs and are not reusable. All of the medical supply items were for tube feeding supplies, not supplements, which clearly meet the criteria to be billed as ancillary.

Page 6, Paragraph 6: We do not concur that the items listed are routine. These items are not stocked at nursing stations or on the floor in gross supply and distributed or utilized individually in small quantities. At Heartland of Tamarac every patient specific order filled by the pharmacy, as ordered by a physician is treated the same. In every instance at Heartland of Tamarac these items must be ordered by a physician, are for an individual patient and are not reusable and thus qualify as ancillary under Medicare's rules.

Page 7, Paragraph 4: We do not concur with your statement that Heartland of Tamarac billed for items that did not meet the specific requirements for treatment as ancillary medical supplies or ancillary pharmacy items. The supplies and items in question were directly identifiable to an individual patient, furnished at the direction of a physician because of special medical needs and are not reusable. All of the items and supplies in question were ordered by a physician, were for an individual patient and are not reusable, thus these items clearly qualify as ancillary.

Page 7, Paragraph 5 and 6: We do not concur with your statement that Health Care and Retirement Corporation (HCRC) does not adequately maintain its master list that classifies each medical supply or pharmacy item as routine or ancillary according to Medicare's rules. HCRC has an exhaustive review process for each item on its master list. Only items that meet Medicare's criteria for ancillary are coded as ancillary. When making this decision the following Medicare rules from HCFA Pub. 15-1, Section 2203.2 are used: supplies and items that are directly identifiable to an individual patient, furnished at the direction of a physician because of special medical needs, and are either not reusable, represent a cost for each preparation or are complex medical equipment. As you know Medicare has no published list of items that are always routine or always ancillary. Instead, the above rule clearly states what criteria must be met for an item to qualify as ancillary. HCRC does properly maintain its master list per Medicare rules. Additionally, there should be no steps taken by AdminiStar Federal as there were no billing errors.

Page 8, Recommendations: Based upon the foregoing comments we do not concur with the proposed recommendations as follows: As indicated, HCRC continues to review and maintains the master list and believes that all items billed as ancillary meet the specific criteria for ancillary items. Since it is our belief that there was no incorrect billing or claiming of costs for routine medical and pharmacy supplies, that a determination of the fiscal impact and refund are not necessary. Based upon our previous comments, we believe that the CYE 1996 cost report does accurately claim ancillary medical supply and pharmacy costs. Finally, we believe that for the reasons stated above, that all future routine items will not be billed or claimed as ancillary.

Mr. Lawrence Frelot  
May 28, 1997

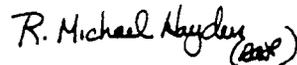
Appendix A: We do not concur with your findings that these items are routine. HCRC believes these items are properly classified as ancillary as they meet Medicare's guidelines as follows: These items are not stocked at nursing stations or on the floor in gross supply and distributed or utilized individually in small quantities. In every instance at Heartland of Tamarac these items must be ordered by a physician, are for an individual patient and are not reusable and thus qualify as ancillary.

Appendix B: We do not concur with your findings that these items are routine. HCRC believes these items are properly classified as ancillary as they meet Medicare's guidelines as follows: These items are not stocked at nursing stations or on the floor in gross supply and distributed or utilized individually in small quantities. In every instance at Heartland of Tamarac these items must be ordered by a physician, are for an individual patient and are not reusable and thus qualify as ancillary.

Health Care and Retirement Corporation works diligently to comply with all Medicare regulations. We constantly communicate with our intermediary, AdminiStar Federal when it comes to billing issues and attempt to mutually agree on proper coding and billing of individual items. Additionally, HCRC has written policies and procedures to ensure that proper billing and expense coding take place. We believe these procedures have resulted in proper billing of Medicare ancillaries for the audit periods in question.

While the issues reported relate to differences in interpretation of regulations rather than facts, it is our belief that prior to the report being issued we have, under the Medicare regulations, the right to appeal these determinations to the PRRB, as we do with any other audit determination.

Sincerely yours,



R. Michael Hayden  
Sr. Reimbursement Manager



Medicare

Medicare Fiscal Intermediary

May 27, 1997

Mr. Lawrence Frelot  
Regional Inspector General  
for Audit Services  
OIG, Office of Audit Services  
50 United Nations Plaza  
San Francisco, CA 94102

RE: A-09-96-0009 I

Dear Mr. Frelot:

We have reviewed the draft audit report on Heartland of Tamarac's SNF billings to Medicare for ancillary medical supplies and associated costs for 1993 and 1994. Based on our review, we offer the following response.

We do not concur with the facts or findings presented in your draft report. Specifically, we do not think that your classification of medical supplies as routine versus ancillary are in conformance with Medicare program instructions at 42 CFR 413.53. The regulations at 42 CFR 413.53(b)(2)(ii) defines routine service as "the regular room, dietary, nursing services, minor medical and surgical supplies and the use of equipment and facilities for which a separate charge is not customarily made". The regulations at 42 CFR 413.53(b) defines ancillary services as "the services for which charges are customarily made in addition to routine services". The regulations appear to **define** ancillary services as those services for which the provider has a separate charge. Based on our review of the findings, it seems that the provider does have a separate charge for the items noted as routine. All classes of patients appear to be charged for the items which the report identified as routine.

The Provider Reimbursement Manual Sec. 2203 indicates that allowable ancillary items are items which are directly identifiable to individual patients and furnished at the direction of a physician because of a specific medical need, and must not be reusable. The provider must charge Medicare and non-Medicare patients similarly for the item in order for it to be ancillary. The items noted on page 6 of the draft report such as aspirin, vitamins, over the counter medications, ointments, etc. all

Mr. Lawrence Frelot  
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seem to be ancillary under HIM- 15, Section 2203.

The draft report indicates that HCR utilizes a master list to classify items as routine or ancillary. This seems to indicate that the charging practices would be consistent. A recent PRRB case 97-D42 (copy attached) indicated that to claim a item as ancillary, all the requirements of HIM-IS, Section 2203.2 must be met. It appears that the items which the provider considers ancillary meet the requirements.

The Intermediary does not concur with any of the recommendations in the draft report. We think we should review the provider's charging practices for consistency. We should make sure all classes of patients are charged for all supplies the provider considers ancillary. If there are any findings which result in **monies** due to the Medicare program, we should determine the impact for the entire chain and make sure that the provider refunds the program.

If you should have any questions, please contact me at (5 13) 852-4224.

Sincerely,



Brian S. Black  
Manager  
Medicare Audit & Reimbursement

cc: Ed Shamrock

¶ 45,168 American Health Services, Inc.-d/b/a The Clairmont-Tyler v. Mutual of Omaha.

PRRB Hearing Dec. No. 97-D42, Case No. 91-2815 (cost reporting period ending 12/31/89), April 1, 1997.

Before: KUES, VAUGHN (joining), and SLEEP.

Medicare: Ancillary Items

Provider reimbursement—Cost apportionment—Cost finding—Provider charge structure as basis for apportionment.—Under Provider Reimbursement Manual Sec. 2203, a skilled nursing facility (SNF) could charge for adult disposable diapers as an ancillary item even though nursing services associated with providing the diapers were considered routine. The diapers met the requirements of the Provider Reimbursement Manual for allowable ancillary items in that they were not routinely furnished to all patients, would not be used by patients in small quantities, and were not a reusable item. Additionally, an ancillary item must be a directly identifiable service to individual patients furnished at the direction of a physician because of a specific medical need, and either be a cost of preparation or not be reusable. Furthermore, the provider must charge Medicare and non-Medicare patients similarly for the item in order for it to be ancillary. The SNF met the above requirements and thus the diapers were found to be an ancillary item.

See 16157.

[Text of Decision]

ISSUE:

Was the Intermediary's classification of incontinence wear supplies as routine costs proper?

STATEMENT OF THE CASE AND PROCEDURAL HISTORY:

American Health Services, Inc. d/b/a The Clairmont-Tyler ("Provider") is a skilled nursing facility ("SNF") located in Tyler, Texas. On its fiscal year ended ("FYE") cost report for December 31, 1989, Mutual of Omaha ("Intermediary") reclassified the cost of adult disposable diapers, from the category of ancillary medical supplies that are charged to patients, to the routine service area costs included in the per diem rate. The Provider filed a timely appeal with the Provider Reimbursement Review Board ("Board") pursuant to 42 C.F.R. §§ 405.1831-1841 and has met the jurisdictional requirements of those regulations. The Medicare reimbursement effect is approximately \$51,700. In reclassifying the costs of adult disposable diapers, the Intermediary cited HCFA Pub. 15-1 § 2203.1 as the applicable instruction governing the audit adjustment. It states:

Routine Services in SNFs

Hospitals and most SNFs differ historically in their charging practices and method of providing services. It is common in nursing homes and other posthospital care facilities, of which SNFs provide the higher level of care, for certain supplies and services to be furnished or purchased for some patients directly by their families or third parties, while the institution furnishes them to other patients and charges for them. In addition, customary charges may not be recorded, as they are for Medicare beneficiaries, for patients for

whom other third-party payers reimburse the SNF a flat rate. Such practices may significantly distort allocations in determining departmental costs. To reduce the potential impact of unusual or inconsistent charging practices, the following types of items and services, in addition to room, dietary, medical social services, and psychiatric social services, are always considered routine in an SNF for purposes of Medicare cost apportionment, even if customarily considered ancillary by an SNF:

- All general nursing services, including administration of oxygen and related medications (see § 2203.2 for inhalation therapy by an inhalation therapist), hand feeding, incontinence care, tray service, enemas, etc.

- Items which are furnished routinely and relatively uniformly to all patients. e.g., patient gowns, paper tissues, water pitchers, basins, bed pans, deodorants, mouthwashes, etc.

- Items stocked at nursing stations or on the floor in gross supply and distributed or utilized individually in small quantities. e.g., alcohol applicators, cotton ball, band-aids, antacid, aspirin. (and other nonlegend drugs ordinarily kept on hand) suppositories, tongue depressors, etc.

- Items which are utilized by individual patients but which are reusable and expected to be available in an institution providing an SNF level of care. e.g., ice bags, bed rails, canes, crutches, walkers, wheelchairs, traction equipment, other durable medical equipment, etc.

HCFA Pub. 15-1 § 2203.1

Also relevant to the issue is HCFA Pub. 15-1 § 2203.2. It states:

**Ancillary Services in SNFs**

Items and services (other than the types classified as routine **services** in § 2203.1) may be considered ancillary in an SNF if charges for them meet the requirements of § 2203 for recognition of ancillary **charges** and if they

- Are direct **identifiable services** to **individual patients, and**
- Are **furnished** at the direction of a **physician because of specific medical needs, and**
- **Either** are not reusable, e.g., artificial limbs and organs, braces, intravenous fluids or solutions, oxygen (including medications), disposable catheters, etc., or represent a cost for each **preparation**, e.g., reusable catheters and related equipment, colostomy **bags, drainage** equipment, **trays** and **tubing, etc.**

HCFA Pub. 15-1 § 2203.2.

The Provider was represented by **Carla A. Cox, Esquire**, of Small, Craig and **Werkenthin**. The Intermediary was represented by **Terry Hamaker, Esquire**, of the **Mutual** of Omaha.

**PROVIDER'S CONTENTIONS**

The Provider contends that incontinent wear items are not **classified** as routine services in HCFA Pub. 15-1 § 2203.1. The Provider asserts that they do not meet any of the **categories** of items or services listed in HCFA Pub. 15-1 § 2203.1, including:

- ... A. "general nursing services"
- B. "Items ... furnished routinely and -t-datively **uniformly** to all patients"
- C. "Items stocked at **nursing stations or on the floor** in gross supply and **distributed** or utilized individually in small **quantities**, e.g., **alcohol, applicators, cotton balls, bandaids, antacid, aspirin, suppositories, tongue depressors** etc."
- D. "Items which are **utilized** by individual patients but which **are reusable**."
- E. "Special dietary supplements."

Provider Position Paper at 7-8.

The Provider indicates that because incontinent supplies are not classified as "routine **services**" under HCFA Pub. 15-1 § 2203.1, they may be considered **ancillary** items in an SNF, pursuant to HCFA Pub. 15-1 § 2203.2, if **charges** for them **meet** the requirements of HCFA Pub. 15-1 § 2203 for recognition of **ancillary** charges, and if they are:

- A. "Directly identifiable services to **individual patients,**"

B. "Furnished at the **direction** of a **physician** because of specific medical needs," and

C. "Not reusable."

Provider Position Paper at 7.

The Provider contends that the requirements of HCFA Pub. 15-1 § 2203 allow billing of incontinent wear as an ancillary supply pursuant to a **provider's customary charging** practice, so long as it is consistently followed, where there is no common or established **classification** of an item or service as routine or **ancillary** among **providers** of the same class in the same state. The Provider indicates that its practice is to customarily **charge** all Medicare and non-Medicare patients for incontinent wear. The Provider presented its operational **policies** which **confirm** that they charge **patients for incontinent products.**<sup>1</sup> The Provider asserts that there is no common or established **classification** of incontinent wear by nursing facility providers in the state of **Texas as routine or ancillary.**

The Provider indicates that its charges for **incontinent wear** are:

- A directly identifiable to individual patients;
- B. furnished at the direction of a physician **because of special medical needs (i.e. on a P.R.N. basis for use in treatment of the patient and to eliminate problems, such as skin rashes, etc),**
- C. are not reusable.

Provider Position Paper at 8.

The Provider presented documentation of physician directives **ordering incontinent wear** for individual patients.\*

The Provider **claims** that the **Intermediary disallowance** is in **error** because they have failed to distinguish "**services**" from "items." The **Provider** asserts that HCFA Pub. 15-1 § 2203.1A only applies to services not to "items" and "**services.**" "Items" which are treated as routine costs are **specified** under HCFA Pub. 15-1 § 2203.1 B, C, and D, and **generally** encompass relatively low cost supplies or "items"; "furnished routinely and relatively uniformly to **all patients,**" HCFA Pub. 15-1 § 2203.1B (emphasis **added**), relatively low cost items stocked at nursing stations or on the floor (e.g., cotton balls, bandaids, aspirin, tongue depressors), HCFA Pub. 15-1 § 2203.1.C:1 and items **utilized** by individual patients but which are reusable (e.g., ice bags, canes, **crutches, walkers,** etc.). HCFA Pub. 15-1 § 2203.1.D. Disposable diapers are clearly "**items,**" and they **clearly do not fit within any of the above categories** requiring routine cost **treatment.** By their nature, being disposable, they are not reusable. They clearly **are** not needed or provided to all nursing

<sup>1</sup> See Provider Exhibit 5.

<sup>2</sup> See Provider Exhibit 6.

home, residents, and their cumulative cost is very significant, contrary to most of the routine items listed in HCFA Pub. 15-1 2203.1.C. Finally, in the costs claimed by the Provider, the incontinent supplies were furnished at the direction of physicians and directly identifiable to individual patients.

The Provider asserts that the Intermediary argument that incontinent supplies are to be treated as routine because "incontinency care" services are treated as routine general nursing services is not logical. The Provider notes that while the "administration of oxygen and related medications" are also "general nursing services," to be treated as routine costs, the manual permits an allowance for the recovery of the costs of oxygen as ancillary supply cost under HCFA Pub. 15-1 § 2203.2.C. incontinency supplies, such as disposable diapers, which represent great additional expense, incurred per the order of physicians, deserve similar treatment as allowable, recoverable, ancillary supply costs.

In summary, the Intermediary adjustment is incorrect because incontinent wear items are not classified as routine services under HCFA Pub. 15-1 § 2203.1; HCFA Pub. 15-1 § 2203.2 allows their classification as "ancillary supplies" where certain requirements are met; the Provider's customary practice is to bill all Medicare and non-Medicare patients for incontinent wear, and the incontinent wear charges clearly involve non-reusable items directly identifiable to individual patients, furnished at the direction of physicians because of special medical needs.

#### INTERMEDIARY'S CONTENTIONS

The Intermediary contends that it reclassified the costs for incontinent care supplies from the ancillary to routine cost center in accordance with HCFA Pub. 15-1 § 2203.1. It states, in pertinent part:

Routine Services in SNFs.... To reduce the potential impact of unusual or inconsistent charging practices, the following types of items and services... are always considered routine in an SNF for purposes of Medicare cost apportionment, even if considered ancillary by an SNF:

- All general nursing services, including administration of oxygen and related medications, hand feeding, incontinency care, tray services, enemas, etc.

HCFA Pub. 15-1 § 2203.1 (emphasis added).

The Intermediary claims that the Provider is attempting to differentiate between incontinent care services and incontinent care supplies for purposes of distinguishing between ancillary and routine. The Provider maintains that the

incontinent care items satisfy the definition of an SNF ancillary based on HCFA Pub. 15-1 § 2203.2 in that items are: directly identifiable services to individual patients furnished at the direction of a physician because of specific medical needs; and either are not reusable or represent a cost for each preparation. The Intermediary asserts that the Provider has misconstrued the application of HCFA Pub. 15-1 § 2203.2 in light of the explicit language contained in 2203.1. It addresses both items and services when identifying incontinency care. It states that "the following types of items and services... are always considered routine in an SNF." HCFA Pub. 15-1 § 2203.1 (emphasis added). The provision doesn't allow the Provider the latitude of distinguishing between the service and supply aspects.

In addition, HCFA Pub. 15-1 § 2203.2 dealing with ancillary services in SNFs, allows consideration of services or items as an ancillary for "other than the types classified a routine service in [HCFA Pub. 15-1 § 2203.1." The Intermediary notes that incontinency care, inclusive of services and supplies is addressed in HCFA Pub. 15-1 § 2203.1; therefore, the care does not lend itself to consideration under HCFA Pub. 15-1 § 2203.2.

The Intermediary points out that in an SNF, coverage of services and supplies are provided to beneficiaries under both the Hospital Insurance Program ("Part A") and the Medical Insurance Program ("Part B"). The Part A plan provides coverage for inpatient care in a SNF within provisions of the Medicare SNF Manual, Publication 12 (HCFA Pub. 12) § 200 et seq. The basic element for coverage is that the beneficiary requires skilled nursing care. When such skilled care is necessary, the Medicare program provides payment for room and board accommodations, nursing and therapy services and specific drug/medical supply items. HCFA Pub. 12 § 214 addresses coverage provisions of the aforementioned services, specifically, incontinent care. It states:

Section 214.4 Nonskilled Supportive or Personal Care Services - The following services are not skilled services unless rendered under circumstances detailed in 214.1.B:

- Routine care of the incontinent patient, including use of diapers and protective sheets;

HCFA Pub. 12 § 214.4 (emphasis added).

The Provider has indicated in a letter to the Intermediary on September 1, 1993,<sup>3</sup> that the incontinent wear items consist of "Proctor and Gamble disposable 'Attends' diapers, and some disposable underpads." These are routine and nonskilled, items under HCFA Pub. 12 § 214.4.

<sup>3</sup> See Intermediary Exhibit 1.

and coverage is not afforded under Part A as a billable ancillary.

HCFA Pub. 12 § 260 provides payment under Part B for certain medical and health services furnished to an inpatient, if payment for the services cannot be made under Part A. Incontinent care items are addressed in § 260.4 as pertaining to prosthetic devices only. However, as stated, "diapers, rubber sheets etc. are not covered under this provision since they do not perform the collecting and retention function of the bladder." *Id.*

The fact that Incontinent supplies are not provided coverage as an ancillary under either Part A or B substantiates a previous reference to the HCFA Pub. 15-1 32203.1 which states "[a]ll general nursing services, hand feeding . . . incontinency care." (emphasis added.)

The Intermediary notes that the Provider claims that all patients are customarily charged for Incontinent supplies. The Intermediary points out that the Provider's Operational Policy Manual states that "[r]esidents who are

incontinent are given special attention by the staff for their needs. Disposable incontinent products are required for all residents with this problem. A charge is made to private residents for these items."<sup>4</sup> The Provider's claim that it customarily charges all Medicare and non-Medicare patients for diapers is unsubstantiated.

The Provider provided copies of physician statements to document that individual patients were ordered to use incontinent wear. The Intermediary indicates that its study of claims indicated that medical supply charges did not exist for most of the patients.<sup>5</sup>

In summary, the Intermediary reclassification should be upheld, because the regulations and manual provide that incontinent care supplies are treated as routine items in an SNF; there were consistent charging practices in the Provider's manual; and inconclusive proof that either the supplies were provided at the direction of a physician or that supplies were furnished to or separately charged to all patients.

**CITATIONS OF LAWS, REGULATIONS AND PROGRAM INSTRUCTIONS:**

1. Laws—42 USC.:

§ 1395x(v)(1)(A)—Reasonable Cost . . . . . [¶ 16,974]

2. Regulation—42 C.F.R.:

§ 413.53(b)—Definitions . . . . . [¶ 20,887.53]

3. Program Instructions—&& Reimbursement Manual, Part I (HCFA Pub. 15-1):

§ 2203.1<sup>2</sup>—Routine Services in SNFs . . . . . [¶ 6155]

§ 2203.2—Ancillary Services in SNFs . . . . . [¶ 6157]

4. other.

Medicare SNF Manual, Publication 12 (HCFA Pub. 12) § 214.4—Non-Skilled Supportive or Personal Care Services

**FINDINGS OF FACT, CONCLUSIONS OF LAW AND DISCUSSION:**

The Board, after consideration of the facts, parties' contentions, evidence presented, testimony elicited at the hearing, and post hearing briefs, finds and concludes as follows:

The issue in this case concerns the Provider charging for adult-diapers as an ancillary item. The Board finds that even though general nursing services associated with providing an item are considered routine, such as those associated with the administration of oxygen or incontinency care. See HCFA Pub. 15-1 § 2203.1 (first indented example of types of items and services (first "example")); the items provided to the patients may still be considered ancillary. Some items, used in association with otherwise routine nursing services, such as oxygen, disposable

catheters and colostomy bags, are specifically mentioned as allowable ancillary items. See HCFA Pub. 15-1 § 2203.2 (third example). In order for an item to be considered allowable as an ancillary item, it must meet the conditions set forth in HCFA Pub. 15-1 § 2203.2. The Board finds that the adult disposable diapers in this case have met those requirements.

The Board notes that the manual attempts to distinguish between routine and ancillary services and items in HCFA Pub. 15-1 §§ 2203.1 and 2203.2. In HCFA Pub. 15-1 § 2203.1 (first example), there is a list of nursing services that are considered routine. This list includes administration of oxygen and related medications, hand feeding, incontinency care, tray service, enemas, etc. In the second through fourth examples, routine items are defined. The second ex-

<sup>4</sup> Provider Operational Policy Manual, Provider Exhibit 5.

<sup>5</sup> See Intermediary Position Paper at a

ample refers to items which are routinely and I-datively **uniformly furnished** to all patients. **The Board finds that adult diapers are not uniformly furnished** to all patients. The third example refers to items stocked at **nursing stations and utill** by patients in small quantities such as alcohol, applicators, cotton balls, **bandaids**, antacid, aspirin, **suppositories**, tongue **depressors**, etc. The Board **finds** that adult **diapers** are not like these items **because** they would not be used by patients in small quantities. The fourth example refers to items that are reusable and **should be** available for **patients** in an SNF such as ice bags, canes etc The Board finds that adult **diapers** are not a **reusable** item.

The Intermediary asserts that **incontinency** care is a routine nursing service and the adult **diapers that are provided as part of that care** are, therefore, routine items. The Rovider points out that ancillary **charges** are **specifically allowed for items that are provided as part of routine nursing services** For **example, an ancillary charge is** permitted for oxygen. See HCFA Pub. 15-1 § 22032 (third example), **whereas**, the nursing **services** to administer oxygen is **defined** as routine. See HCFA Pub. 15-1 § 2203.1 (first example). The Board agrees with the **Provider** and **finds** that a provider may charge for adult **diapers** as an **ancillary** item **even** though the **nursing** services associated with providing the item are considered routine.

The Board notes that all the requirements of HCFA Pub. 1.51 §2203.2 must be met for a

provider to claim an item as ancillary. The stem must **meet the** requirements of HCFA Pub. 15-1 § 2203 and, **in addition**, be a directly identifiable **service** to individual patients, **furnished** at the **direction** of a physician because of a specific medical need. and either, not reusable or represent a **cost** of preparation. See HCFA Pub. 15-1 § 2203.2 (first through third examples). HCFA Pub. 15-1 § 2203 notes that items are **defined** as routine and ancillary **in** the manual, but If they are not, one is to look to common practices The record does not indicate that any common **practice** exists In addition. there must **be** consistent charges **for** both Medicare and non-Medicare **patients**. The record indicates that all patients were charged **similarly** at this **Provider**.<sup>6</sup> With respect to the requirements of HCFA Pub. 15-1 § 2203.2 (first through third examples), the Board **finds** that the charges were identifiile to individual patients in their medical **records**,<sup>7</sup> were furnished at the **direction** of a **physician**,<sup>8</sup> and are not reusable. In summary, the Board finds that the **disposable** adult **diapers** are not a routine item and that the **Provider** has met the requirements to charge for them as an ancillary item.

**DECISION AND ORDER:**

The **Intermediary's reclassification** of the **Provider's** costs as routine **costs** was improper. The Intermediary's reclassification is reversed.

**¶ 45,169** Harriet Holmes Health Care Services, Inc. (Chicago, Ill.) v. Blue Cross and Blue Shield Association/Blue Cross and Blue Shield of Iowa.

PRRB Hearing Dec. No. 97-D43, Case Nor 94-3134 and 94-3133 (cost reporting periods ending 12/31/92 and 12/31/91), April 7, 1997.

Before: KUES, VAUGHN (joining), and SLEEP.

**Medicare: Documentation of Costa**

Provider reimbursement-Allowable **costs—Home** health coordination.- Because a home health agency (HI-IA) failed to produa **adequate** documentation as required by Reg. Sec. 413.20. Reg. Sec. 413.24 and **Provider Reimbursement Manual Sec.** 2113, an **intermediary properly** disallowed the salaries and **benefits** of two HHA employees as unrelated to patient care. While **coordination**, education and liaison, and some types of advertising activities are reimbursable **costs**, the HHA did not praluce **evidence** that the two employees' duties fell under those categories. furthermore. no applicable job **description** accurately **described** the employees duties.

see ¶ 5906, ¶ 5996A.

[Text of Decision]

**ISSUE:**

Was the Intermediary's adjustment to intake coordinator and community relation/liasion costs proper?

**STATEMENT OF THE CASE AND PROCEDURAL HISTORY**

General Facts

Harriet Holmes Health Care Services, Inc.. ("Provider") was a freestanding home health

<sup>6</sup> Tr. at 32.

<sup>8</sup> Provider Exhibit 6.

<sup>7</sup> Id.