PHYSICAL THERAPY AND OTHER THERAPY SERVICES FURNISHED UNDER ARRANGEMENT

Regulation References: 42 CFR 413.106

GENERAL: Under the Medicare payment system, a provider is reimbursed for the reasonable costs of services provided by physical, occupational, speech and other therapists for services performed under arrangements. Salary equivalency guidelines as provided for under 42 CFR 413.106 have been issued for physical therapy, speech therapy, occupational therapy and respiratory therapy services performed under arrangements. These guidelines represent limitations on the costs incurred by a provider, which are equivalent to (1) the prevailing salary and additional costs that would have reasonably been incurred by the provider or other organization if the services had been performed in an employment relationship and, (2) Plus the cost of other reasonable expenses incurred by such person in furnishing services under arrangements.

OBJECTIVE: To determine that costs for therapy services furnished under arrangements do not exceed reasonable costs. Also, where applicable, to determine that costs for therapy services furnished under arrangements do not exceed salary equivalency guidelines established by HCFA.

OTHER REFERENCES:

PRM-I, CHAPTERS 14 and 21
MIM-II, SECTION 2138
Regulation Section 42 CFR 413.9

Cost Report Forms: **Hospitals**

HCFA-2552, Worksheet A
HCFA-2552, Worksheet A-8-3
HCFA-2552, Worksheet A-8-4
HCFA-2552, Worksheet C

PHYSICAL THERAPY AND OTHER THERAPY SERVICES FURNISHED UNDER ARRANGEMENTS

1. DETERMINATION OF THERAPY SERVICES
2. REVIEW CONTRACTS WITH THERAPY SUPPLIERS
3. TEST OF PAYMENTS TO THERAPY SUPPLIERS
4. NONALLOWABLE TRAVEL ALLOWANCE
5. ADJUSTED HOURLY SALARY EQUIVALENCY AMOUNTS (AHSEA)
6. RURAL PROVIDERS
7. ASSISTANTS AND AIDES
8. REVIEW OF BILLING ARRANGEMENT
9. REVIEW OF DIRECT BILLING BY THERAPISTS

STEP	PROCEDURE DESCRIPTION	AUDITOR'S INITIALS AND DATE	WP REF

DETERMINATION OF THERAPY SERVICES

1. Determine the extent of any therapy services furnished under arrangements with outside suppliers. If applicable, the following data should be obtained from the provider.

   A. Type of therapy services furnished by outside suppliers.

   B. The extent that services are being utilized (full-time, regular part-time, limited part-time, or intermittent services).

   C. The existence of contracts between the provider and outside suppliers (OBTAIN COPY).

   D. Type of accounting records maintained for recording costs incurred for services furnished by outside suppliers. Special attention should also be given to billing arrangements for the outside therapy services. See audit steps 8 and 9.

   E. A master listing of outside therapists.

   F. Per requirements outlined in PRM-I, Section 1417, the provider must maintain sufficient data in its records to support the statements submitted with its cost report, and data must be reflected in a manner so as to provide an adequate audit trail. These records, whether in the form of a daily log or similar daily records, must be kept up to date, be available at all times for review by the intermediary, and contain sufficient information to allow evaluation of the reasonableness of the costs incurred for therapy services furnished under arrangements. There are new salary equivalency guideline amounts for the major therapies published in the Federal Register, January 30, 1998. These rates are effective on or after April 10, 1998.

   Review for contracted services greater than $10,000: Review the agreement to determine if it contains a clause allowing the intermediary access to the subcontractor's books and documents, which are necessary to verify the nature and extent of the cost of services furnished under the contract as described in PRM-1, Section 2440. Also, review the agreements to determine if the services cover all patients.

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REVIEW CONTRACTS WITH THERAPY SUPPLIERS

2. Review qualifications of the therapists (certification), this will avoid an aide or assistant being misclassified as a full therapist. If contracts exist between the provider and outside supplier, obtain the contract file and perform the following audit procedures:

   A. Obtain a schedule from the provider listing for each therapist the following information:

      1. Therapist name and license number;
      2. Type of therapy provided;
      3. Location where service was rendered;
      4. Classification as to full or part-time;
      5. Fee structure--Rate per visit, hour, modality or treatment;
      6. Amount of travel allowance; and
      7. Amount of other expense claimed.

      Where a provider does not maintain records which are sufficiently complete to determine the reasonable cost of the services in accordance with the provisions of the PRM-I, section 1417, no payment can be made for these services in accordance with sections 1815 and 1833(e) of the Social Security Act.

      If a schedule is not available, review the provider's working trial balance for an indication of purchased therapy services. Analyze the accounts indicated for names of therapists or therapy companies under contract with the provider. See audit step 3C.

   B. Based upon the therapist's classification as to full-time or part-time, sample provider data and compare to therapist invoices for corroboration. Contractor invoices should reflect the following:

      1. Number of hours of therapy services rendered by the therapist.

      2. Costs claimed by the provider associated with items or services furnished by the contractor for supplies, equipment (owned or leased by the contractor for use at the provider site), and repairs and maintenance. Proper records and documentation must be provided to support these allowances.

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3. Cost and hours worked by therapy assistants or aides furnished by the outside supplier.

If the invoices do not reflect the data required in B1-B3, obtain documentation from the provider. The documentation should have been supplied to the provider by the contractor.

If no documentation has been provided, propose an audit adjustment to disallow the therapy costs.

C. If a written contract(s) does not exist between the provider and the therapists, (1) meet with appropriate provider personnel in the therapy departments and obtain the names of the outside suppliers. The listing must be in enough detail to support the costs claimed or (2) request letter(s) of understanding summarizing services to be performed, remuneration and billing data.

D. Propose an audit adjustment, where necessary.

TEST OF PAYMENTS TO THERAPY SUPPLIERS

3. From the listing of outside suppliers, select a sample of therapists from each therapy category and perform the following audit steps:

A. Analyze the expense accounts where costs of purchased therapy services are indicated.

B. On a sample basis, trace the amounts recorded in expense to the invoices to verify total purchased therapy service expense.

C. Trace data from provider records and documentation to Worksheets A-8-3 and A-8-4, as applicable. .

D. Propose an audit adjustment, where necessary.

NONALLOWABLE TRAVEL ALLOWANCE

4. Sample the travel allowance claims. When reviewing costs paid for outside therapy services, determine that:

A. No travel allowance was paid for therapy services performed at the site of the contracting supplier, and

B. No travel allowance was paid for a therapist who performs only administrative duties in the capacity of an administrator of a contracting organization.

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C. Only one travel allowance is permitted, regardless of the number of patients treated for services furnished at the same location.

D. Propose an audit adjustment, where necessary.

ADJUSTED HOURLY SALARY EQUIVALENCY AMOUNTS (AHSEA)

5. Review the AHSEA and travel allowance, and:

A. The rates on Worksheet A-8-3 and A-8-4 for AHSEA, should be checked to the Federal Register Salary Equivalency Guidelines and Standard Travel Allowance.

B. Determine if the provider's salaried PTs are paid on a per visit basis. If so, ensure all visits and costs, as well as contracted visits and costs are properly reported on Worksheet A-8-3.

RURAL PROVIDERS

6. Some providers, mainly those in rural settings, may require the services of a therapist on a limited part time or intermittent basis because of the size of the facility. In these instances, costs for therapy services may be evaluated on a reasonable rate per unit of service.

However, the reasonable cost of these services, in the aggregate, during the cost reporting period may not exceed the amount which would be allowable had the provider purchased these services on a regular part-time basis for an average of 15 hours per week for the number of weeks in which services were rendered. (PRM-I, Sections 1407.1 and 1407.2). If the provider is in this situation, perform the following audit steps:

A. Determine that the contract between the facility and the outside supplier provides for a method of payment based on a rate per unit of service. (PRM-I Section 1407).

B. If the contract does not include this provision, determine that reimbursement did not exceed the guidelines established by HCFA for the hourly amounts plus other allowable costs.

C. Propose an audit adjustment, where necessary.

ASSISTANTS AND AIDES

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7. Determine if the outside therapists utilize the services of therapy assistants, aides, and trainees. If so perform the following:

   A. Determine that the hourly rate paid to aides and trainees is comparable to the rate paid the provider's employees of comparable classification and qualification (PRM-I, Section 1412.2A).

   B. Determine that the hourly rate paid to assistants is the going rate paid by providers in the area to salaried assistants.* If such a rate is unobtainable, the compensation for assistants may be evaluated at a rate not to exceed three-quarters of the adjusted hourly salary equivalency amount.

      *In order to gather this data, the auditor may do the following:

      1. Survey up to nine providers for therapy (by type) assistant rates.

      2. Research the files for providers being serviced by the FI for rates.

      3. Contact other FIs within the region for input.

   C. No allowance is permitted for aides, assistants or trainees who are employees of the provider. See PRM-I, Section 1412.2B.

   D. Propose an audit adjustment, where necessary.

REVIEW OF BILLING ARRANGEMENT

8. In reviewing therapy services furnished under arrangement, a review must also be made of the billing arrangements. Perform the following steps:

   A. Determine the billing arrangements for services furnished under arrangement. If the provider contracts with a management company to generate billings, the following steps should be conducted:

      1. Obtain a copy of the contract between the billing company and the provider. Determine the billing and collection arrangements by reviewing the contract and discussing with appropriate provider

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personnel.

2. Determine if any relationship exists between the provider and the management company. If the provider and billing company are related, then the cost allowed to the provider for services rendered by the management company are limited to the cost of the related organization.

3. The costs of providing management services should be classified as A&G costs. Review this cost to determine if the therapy services are separate from the management services.

4. A review should be made of costs and charges for a proper matching.

5. Propose adjustment, where necessary.

REVIEW OF DIRECT BILLING BY THERAPISTS

9. Review therapy contracts to determine if therapy suppliers bill some patients directly. In this case, the provider will not have these charges and costs on their books. Perform the following steps:

A. If provider's records reflect only the costs and charges of the Medicare portion (i.e., Medicare charges equal total charges), no indirect costs may be allocated to the Medicare portion. (PRM-I, Section 2314A).

B. If provider is able to "gross up" the costs and charges for services to non-Medicare patients so that both costs and charges are recorded as if provider had rendered the services directly, the indirect costs may be allocated to the therapy ancillary cost centers. (PRM-I, Section 2314B).