PROVIDER REIMBURSEMENT REVIEW BOARD DECISION

2019-D33

PROVIDER –
Trinity Health 2013 Iowa Related Organization Cost Allocation CIRP

Provider No.: Appendix A

vs.

MEDICARE CONTRACTOR -
WPS Government Health Administrators (J-5)

HEARING DATE –
January 30, 2018

Fiscal Year Ending – 2013

CASE NO.: 17-1237GC

INDEX

ISSUE

Whether the Medicare Contractor's adjustments disallowing the administrative and general costs ("A&G") that Mercy Medical Center – Sioux City ("MMC-SC") allocated to the appealing group members (Baum Harmon Mercy Hospital and Oakland Mercy Hospital) were proper.[1]

DECISION

After considering the Medicare law and regulations, the parties' contentions, and the evidence submitted, the Provider Reimbursement Review Board ("Board") finds that the Medicare Contractor properly adjusted the 2013 cost reports of Baum Harmon Mercy Hospital ("Baum Harmon") and Oakland Mercy Hospital ("Oakland") to disallow MMC-SC's A&G costs.

INTRODUCTION

Baum Harmon is a critical access hospital located in Primghar, Iowa and Oakland is a critical access hospital located in Oakland, Nebraska (collectively, the "CAHs" or "Providers").[2] MMC-SC is a full-service urban medical center located in Sioux City, Iowa.[3] The CAHs are located in geographic proximity to MMC-SC, and all are members of Trinity Health ("Trinity").[4] The Medicare contractor[5] assigned to the CAHs is Wisconsin Physician Services ("Medicare Contractor").

When auditing the CAHs' 2013 cost reports, the Medicare Contractor disallowed the A&G costs allocated from MMC-SC to the CAHs. The CAHs timely appealed the Medicare Contractor's final determination to the Board and met the jurisdictional requirements for a hearing. The Board conducted a live hearing on January 30, 2018. The CAHs were represented by Kenneth R. Marcus, Esq. of Honigman Miller Schwartz and Cohn LLP. The Medicare Contractor was represented by Bernard Talbert, Esq. of Federal Specialized Services.

STATEMENT OF FACTS

Medicare pays critical access hospitals 101 percent of the reasonable costs of providing services to Medicare patients.[6] As critical access hospitals Baum Harmon and Oakland were paid on this reasonable cost basis for FY 2013. As a full service hospital MMC-SC is not paid by Medicare on a reasonable cost basis but rather is paid based on the inpatient prospective payment system ("IPPS"). Under IPPS, Medicare pays hospitals a predetermined, standardized amount per discharge, subject to certain payment adjustments.[7]

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[1] Transcript, ("Tr.") at 8; Providers' Post-Hearing Brief at 1-2.
[2] Tr. at 34.
[3] Providers' Final Position Paper at 1.
[4] *Id.*
[5] CMS' payment and audit functions under the Medicare program were historically contracted to organizations known as fiscal intermediaries ("FIs") and these functions are now contracted with organizations know as Medicare administrative contractors ("MACs"). The term "Medicare contractor" refers to both FIs and MACs as appropriate.
[6] 42 C.F.R. § 413.70.
[7] 42 U.S.C. § 1395ww(d); 42 C.F.R. Part 412.

Medicare's regulation at 42 C.F.R. § 413.24 instructs providers on the requirements for adequate cost data and cost findings, setting forth the underlying principle in section (a):

> (a) *Principle*. Providers receiving payment on the basis of reimbursable cost must provide adequate cost data. This must be based on their financial and statistical records which must be capable of verification by qualified auditors. The cost data must be based on an approved method of cost finding and on the accrual basis of accounting . . . .

Section (d) of this regulation instructs provides on cost finding methods and states the following regarding the costs of services a provider furnishes to a free standing entity:

> (7) *Costs of services furnished to free-standing entities*.—The costs that a provider incurs to furnish services to free-standing entities with which it is associated are not allowable costs of that provider. Any costs of services furnished to a free-standing entity must be identified and eliminated from the allowable costs of the servicing provider, to prevent Medicare payment to that provider for those costs. This may be done by including the free-standing entity on the cost report as a non-reimbursable cost center for the purpose of allocating overhead costs to that entity. If this method would not result in an accurate allocation of costs to the entity, the provider must develop detailed work papers showing how the cost of services furnished by the provider to the entity were determined. These costs are removed from the applicable cost centers of the servicing provider.

Medicare's regulation at 42 C.F.R. § 413.17(a) states, in relevant part:

> [C]osts applicable to services, facilities, and supplies furnished to the provider by organizations related to the provider by common ownership or control are includable in the allowable cost of the provider at the cost to the related organization. However, such cost must not exceed the price of comparable services, facilities, or supplies that could be purchased elsewhere.

The CAHs and MMC-SC are members of Trinity Health and each CAH as well as MMC-SC receive an allocation of Trinity's home office costs.[8] MMC-SC made intercompany transfers

[8] Column 6 of Schedule A-8-1 identifies the amount of Trinity's home office costs included on each entity's cost report. *See* Exhibit I-2 at 10 (Baum Harmon's Schedule A-8-1), Exhibit I-2 at 5 (Oakland's Schedule A-8-1), and Exhibit P-10 at 29 (MMC-SC's Schedule A-8-1).

totaling $132,566 for Baum Harmon[9] and $197,961 for Oakland[10] for services it provided to the CAHs during 2013. Additionally, MMC-SC allocated $1,104,109 in A&G costs to Baum Harmon and $911,938 in A&G costs to Oakland.[11] MMC-SC allocated these costs to the CAHs using an accumulated cost statistic that included the accumulated costs for MMC-SC, the CAHs, and two other entities (the Mercy Foundation and Mercy Medical Services).[12] Based on this allocation, Baum Harmon included $1,104,109 and Oakland included $911,938 of MMC-SC's A&G costs on their respective 2013 cost reports.[13]

The Medicare Contractor did not adjust MMC-SC's allocation of A&G costs when it settled MMC-SC's 2013 cost report.[14] However, the Medicare Contractor made adjustments to the CAHs' 2013 cost reports disallowing the A&G costs allocated from MMC-SC.[15] The Medicare Contractor's justification to remove these costs was due to an inaccurate allocation[16] and due to lack of support.[17] It is these adjustments that are the subject of these appeals.

Additionally, the Medicare Contractor submitted a Supplemental Final Position Paper ("Supplement") seven days before the scheduled Board hearing that addressed MMC-SC's allocation of A&G costs. The CAHs filed a motion to exclude this Supplement in its entirety under Board Rules 27.3[18] and 27.4.[19] At the hearing, the Board ruled to admit the Supplement into the record. Specifically, the Board found that the Supplement did not raise new issues but helped target and narrow the specifics of the issue under appeal. The Board advised that it would

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[9] MAC's Final Position Paper at 13. Exhibit I-2 at 6 is the original Schedule A-8-1 for Baum Harmon and, in Columns 5 and 6, it shows Baum Harmon removing $132,566 in intercompany allocations from its original cost report. However, when Baum Harmon amended its cost report, it did not include the removal of these amounts on the amended Schedule A-8-1 (*see* Exhibit I-2 at 10).

[10] MAC's Final Position Paper at 13. Exhibit I-2 at 4 is the original Schedule A-8-1for Oakland and, in Columns 5 and 6, it shows Oakland removing $197,961 in intercompany allocations from its original cost report. However, when Oakland amended its cost report did not include the removal of these amounts on the amended Schedule A-8-1 (*see* Exhibit I-2 at 5).

[11] *See* Exhibit I-2 at 10 for Baum Harmon and I-2 at 5 for Oakland. *See also* MAC's Final Position Paper at 14. The MAC identified $1,104,305 as MMC-SC's allocation to Baum Harmon rather than $1,104,109. The $196 difference is A&G cost included on Schedule A that were not included on Schedule A-8-1. *See* Exhibit I-2 at 8.

[12] Providers' Final Position Paper at 12.

[13] *See* MAC's Final Position Paper at 14 and Exhibit I-2 at 5, 10.

[14] Providers' Final Position Paper at 8 and Exhibit P-10.

[15] Providers' Post-Hearing Brief at 3.

[16] MAC's Final Position Paper at 17; Tr. at 277-280.

[17] MAC's Final Position Paper at 19-20.

[18] Board Rule 27.3 states: "Except on written agreement of the parties, revised or supplemental position papers should not present new positions, arguments or evidence. However, the Board encourages revised or supplemental final position papers which, for administrative efficiency, further *narrow* the parties' positions or provide legal development (such as new case law) that has occurred since the final position paper was filed. Prior to filing such papers, the parties should contact each other to discuss the anticipated substance of such papers and anticipated objections. If a revised or supplemental position paper is filed to further refine or narrow the issues, the opposing party may file a rebuttal or reserve such rebuttal for hearing."

[19] Board Rule 27.4 states: "If at hearing or through a revised position paper, a party presents an argument or evidence expanding the scope of the position papers, the Board may, upon objection or its own motion, exclude such arguments or evidence from consideration."

provide a more detailed explanation of its ruling regarding the admission of the Supplement in the Board's written decision.[20]

DISCUSSION, FINDINGS OF FACT, AND CONCLUSIONS OF LAW

Provider's Motion to Exclude Medicare Contractor's Supplemental Final Position Paper

As an initial matter, the Medicare Contractor submitted its Supplement, and the CAHs filed a motion to exclude, in their entirety, the arguments made by the Medicare Contractor in the Supplement, on January 23, 2018. The CAHs argue that the Medicare Contractor was attempting to blindside the CAHs by making arguments for the first time that were not contained in the Medicare Contractor's Final Position Paper.[21] The CAHs, in their Post Hearing Brief, have reiterated their arguments to exclude the Supplement.[22] The CAHs state that "[t]he Supplement presents for the first time in these proceedings an argument relating to the cost allocation" identifying the following excerpt from the Supplement:[23]

> A precise breakdown has not been done, but it is evident from exhibit P-10 page 29 that a substantial part of the A&G allocated and claimed as reimbursable to the CAHs is a very questionable reallocation of MMC-SC's home office allocations. Considering what is available to work with, 75% is a reasonable proxy. Considering that share being removed, the maximum allowable costs, and construed in the CAH's favor is in the $200,000 range. The lack of basic credible presentation of time spent by MMC-SC staff to the benefit of the CAH's defeats any recognition of allowable costs.[24]

The CAHs believe this argument expands the scope of the Medicare Contractor's Final Position Paper. The CAHs claim that the Supplement does not reference either the NPRs or the Medicare Contractor's work papers and the Medicare Contractor provides no evidence that the adjustments in contention were based on the arguments proffered in the Supplement.[25]

The Board disagrees. The Board reviewed the Supplement and the CAHs' arguments, and finds that the Supplement did not raise a new issue, but rather further narrowed the issue under appeal which the parties agree is the Medicare Contractor's adjustments disallowing the A&G costs allocated to the CAHs from MMC-SC's cost report.[26] The Board points out the Medicare Contractor's audit adjustments specifically state the disallowance was made "to remove related party expenses from [MMC-SC] due to the hospital not using the correct allocation (lack of

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[20] Tr. at 28-30.
[21] Providers' Rule 27.3 and 27.4 Motion To Exclude And, In the Alternative, Reply to MAC's Supplement To Final Position Paper at 1.
[22] Providers' Post-Hearing Brief at 3-8.
[23] *Id.* at 4.
[24] Supplement at 4.
[25] Providers' Post-Hearing Brief at 5.
[26] Tr. at 8.

support)."[27] Additionally, the Medicare Contractor's Final Position Paper states: "The real issue is that MMC-SC adjusted its cost report to include the total operating costs of the [P]roviders and as a result, *allocated an excessive amount of overhead costs* to non-reimbursable cost centers, which were then claimed by the [P]roviders."[28]

In the Supplement, the Medicare Contractor explains how MMC-SC, through its cost allocation methodology, distributed an excessive amount of overhead costs to the CAHs.[29] The Supplement identified Trinity's costs as being the largest portion of these overhead costs.[30] Additionally the Supplement challenges the allocation of MMC-SC A&G costs because the methodology implies that MMC-SC's A&G functions supported the CAHs in the exact same manner it supported its own operations, noting the lack of documentation to support the alleged services provided to the CAHs.[31] The Board finds this is clearly an issue in the appeal as the audit adjustment identifies both the allocation methodology and lack of support as the reason for disallowance. Additionally, the CAHs' Final Position Paper addresses this very issue stating their position that the CAHs "properly claimed *allowable related party costs*, although perhaps the *appropriate methodology* may be debated."[32]

The Board concludes the Supplement does not introduce a new issue or expand the scope of the Medicare Contractor's Final Position Paper, but rather was a helpful clarification of the make-up of the amounts in dispute. For these reasons, the CAHs' Motion to exclude the Supplement is denied, and the Medicare Contractor's Supplement remains part of the administrative record of this appeal.

Issue under appeal - Disallowance of Allocated Administrative and General Cost

The CAHs disagree with the Medicare Contractor's disallowance of the A&G costs allocated to them by MMC-SC. The CAHs assert they are related to MMC-SC[33] with MMC-SC lending support to them through shared administrative services.[34] During 2013, MMC-SC asserts it provided services to the CAHs including administrative, clinical, financial reporting, human resources, information technology, purchasing, etc.; all of which was memorialized in a Management Services and Affiliation Agreement ("Management Agreement") that was fully executed April 6, 2015.[35] MMC-SC included a non-reimbursable cost center on its cost report

[27] Exhibit I-1 at 1, 7.
[28] MAC's Final Position Paper at 17 (emphasis added).
[29] The Medicare Contractor in the Supplement challenges the CAHs' argument that "MMC-SC A&G functions supported [Oakland] and [Baum Harmon] in the exact same manner as if it had supported its own cost centers that received an A&G allocation." Supplement at 1. The Medicare Contractor questioned whether the home office allocations from Trinity Health and Trinity Information Systems, which was a substantial portion of the A&G costs in the MMC-SC cost report, should be allocated to Baum Harmon and Oakland based on accumulated costs.
[30] *See* i*d.* at 3 (citing Exhibit P-10 at 29 (showing Trinity's home office costs and MMC-SC's total A&G costs)).
[31] *Id.* at 1.
[32] Providers' Final Position Paper at 1 (emphasis added).
[33] Tr. at 104
[34] Providers' Final Position Paper at 1.
[35] *Id.* at 5 and Exhibits P-13 and P-14.

for each of the CAHs to accumulate costs and overhead (including A&G) related to these services.[36]

MMC-SC states it allocated its A&G costs to the various cost centers (including the non-reimbursable cost centers established for the CAHs) based on the CMS recommended basis of accumulated costs.[37] MMC-SC argues its A&G allocation methodology was entirely appropriate because it used a more sophisticated double-apportioned step-down methodology,[38] which separated the costs of Communications, Purchasing, Cashiering and Accounts Receivable from the catch-all A&G costs, so the CAHs would not receive an allocation from these areas.[39] Its remaining A&G costs were then allocated through an accumulated costs statistic that included all of the accumulated costs for MMC-SC, the CAHs, the Mercy Foundation, and Mercy Medical Services.[40] MMC-SC believes this allocation statistic is correct and was used to be consistent and to match apples-to apples.[41]

MMC-SC likens its A&G allocation methodology to the process used when a host hospital provides laundry services to a sister hospital. In that situation the laundry expense is allocated based on pounds of laundry using a statistic that includes laundry pounds for the host hospital as well as the sister hospital. MMC-SC believes this is similar to how it added the CAHs' accumulated costs to its accumulated costs statistic when it allocated A&G costs,[42] claiming this cost finding methodology is allowable and consistent with 42 C.F.R. § 413.24(d)(7).[43] The CAHs believe that the Medicare Contractor was wrong in disallowing all of the A&G costs allocated by MMC-SC.

The Medicare Contractor disputes the relationship of MMC-SC to the CAHs, and the accuracy of the allocation of A&G costs[44] from MMC-SC to the CAHs.[45] Specifically, the Medicare Contractor raises the question of the relationship of the hospitals to one another, and to what extent MMC-SC had sufficient control over the CAHs to be considered a related entity, as that term is understood in Medicare reimbursement parlance. The Medicare Contractor argues that MMC-SC had no control over the CAHs and, therefore, cannot allocate costs to them. The Medicare Contractor states that, on the organizational chart,[46] the CAHs and MMC-SC are on a parallel level and that this would indicate that MMC-SC had no control of the CAHs.[47]

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[36] Tr. at 181.
[37] *Id.* at 224.
[38] Providers' Final Position Paper at 7-8. Providers were approved for multiple allocation methodologies on or after June 30, 2012. MAC's Final Position Paper at 14.
[39] Providers' Final Position Paper at 8-9.
[40] *See id.* at 12.
[41] *Id.* at 9, 12; Providers' Reply to MAC's Final Position Paper at 4.
[42] Providers' Final Position Paper at 10-11.
[43] *Id*. at 10.
[44] MAC's Final Position Paper at 17; Tr. at 277-280.
[45] Tr. at 71- 72; MAC Post-Hearing Brief at 2- 3.
[46] *See* Exhibit P-21. Mercy Medical Center Sioux City, Oakland Medical Hospital and Baum Harmon Mercy Hospital are all on the third tier under Trinity Health Corporation and Mercy Health Services Iowa, Corp.
[47] Tr. at 60.

Further, the Medicare Contractor asserts that the CAHs and MMC-SC did not follow cost reporting instructions when filing their June 30, 2013 cost reports[48] and that neither the CAHs nor MMC-SC maintained sufficient documentation to determine the costs incurred by MMC-SC for the services provided to the CAHs.[49] The Medicare Contractor claims that, because there is insufficient documentation, it is not possible to get a sense of the services provided, including the volume and frequency.[50]

Under the federal regulations, the "costs applicable to services, facilities, and supplies furnished to the provider by organizations related to the provider by common ownership or control are includable in the allowable cost of the provider at the cost to the related organization. However, such cost must not exceed the price of comparable services, facilities, or supplies that could be purchased elsewhere."[51] In this case, the Board finds that Trinity Health Corporation, Trinity Health Services, MMC-SC, and the CAHs are all related under common ownership and control as evidenced by the bylaws of the CAHs that give MMC-SC various governance and management responsibilities.[52] In this respect, the Board finds that MMC-SC is related to the CAHs and, therefore, can properly allocate costs to the CAHs *provided that the costs are documented and do not exceed the prices of comparable services/supplies that could be purchased elsewhere*.

Having found that MMC-SC and the CAHs are related organizations for purposes of allocating A&G costs, the Board reviewed whether the A&G costs allocated through the MMC-SC cost report met the requirements of 42 C.F.R. § 413.24(d)(7) and 42 C.F.R. § 413.17(a). As discussed below the Board agrees with the Medicare Contractor that the CAHs did not support the volume, frequency, and costs of the A&G services provided by MMC-SC to the CAHs and there is inadequate documentation to support the accuracy of the allocation methodology used by MMC-SC to allocate these costs to the CAHs.

The CAHs testified that they did not have contemporaneous documentation to support MMC-SC's A&G cost allocation to the CAHs because this was the first time that these services were disallowed.[53] Accordingly, in support of this allocation, they submitted documentation pertaining to subsequent years. The Board compared the hours in the 2016 attestation statements[54] to the 2015 Management Agreements[55] and found that eight of the ten attestation statements, related to A&G services identified in the Management Agreements, represented approximately 0.85 FTEs for Baum Harmon and 0.78 FTEs for Oakland.[56] However, this was

[48] MAC's Final Position paper at 15.
[49] *Id*.
[50] MAC Post-Hearing Brief at 4.
[51] 42 C.F.R. § 413.17(a).
[52] *See* Exhibit P-25 at 1 (Bylaws of Oakland Mercy); Exhibit P-27 at 1 (Bylaws of Baum Harmon).
[53] Tr. at 83-86. The Medicare Contractor did not review prior year cost reports. *Id.* at 297.
[54] Exhibit P-20.
[55] Exhibits P-13 and P-14.
[56] Human resources and supplies are not identified on Schedule A of the management services agreements (*see* Exhibit P-13 at 5, Exhibit P-14 at 5) so the Board excluded the hours for both Patricia Rodrigues in human resources and Deb Cain in supplies in determining the number of FTEs. The attestations resulted in 0.85 FTEs (1765/2080) for Baum Harmon and 0.78 FTEs (1625/2080) for Oakland.

not complete data as confirmed by Trinity's witness.[57] Accordingly, the Board also reviewed the CAHs' post-hearing submission which identified $298,285 in services MMC-SC provided for Baum Harmon and $319,214 in services MMC-SC provided for Oakland.[58] The Board finds these records do not adequately document the CAHs' share of MMC-SC's A&G costs under appeal because:

1. These amounts include services not in A&G (*e.g*., services in the operating room, ER/Trauma, Pharmacy) yet are significantly lower than the A&G allocations;

2. The amounts were calculated based on time reports for a 2 week period in 2018 not 2013; and

3. The time reports tracked time spent related to each of the CAHs, but not total time worked so the percentage of time cannot be accurately determined.

In summary, the Board finds this information is simply not sufficient to support the volume and frequency of A&G services claimed by Baum Harmon of $1,104,109 and by Oakland of $911,938.

The Board also disagrees with the CAHs that MMC-SC allocated its A&G costs based on the CMS recommended basis of accumulated costs,[59] and that its allocation statistic is correct, consistent and was used to match apples-to apples.[60] While the Board recognizes that the cost report instructions suggest using accumulated costs to allocate A&G,[61] the Board finds nothing in these instructions directing MMC-SC to add the accumulated costs of the CAHs to its statistic. As the Medicare Contractor points out, the accumulated cost statistic used by MMC-SC implies that MMC-SC provided the same A&G services, and incurred the related costs, for the CAHs in the same ratio as it did for itself.[62] However, this is clearly not the case, as the Management Agreement between the CAHs and MMC-SC is for a limited number of services and, therefore, a significant portion of the CAHs' costs are incurred without reliance on MMC-SC.

Likewise, the Board disagrees with the CAHs' assertion that MMC-SC's A&G allocation methodology is similar to the laundry services methodology when pounds of laundry for various entities are used to allocate laundry costs.[63] When the costs for laundry services is allocated based on pounds of laundry, the allocation uses a statistic *based on auditable data* from each entity that is directly related to the costs incurred for laundry services. That is not the case for the statistic MMC-SC used to allocate its A&G costs, as there is no auditable data in the record that suggests MMC-SC incurred A&G costs for *all* of the costs the CAHs incurred. Rather, the evidence in the Management Agreement indicates that MMC-SC was only involved in a portion

[57] Tr. at 220.
[58] Exhibit P-38 at 3.
[59] Providers' Final Position Paper at 12.
[60] *Id*. at 9; Providers' Reply to MAC's Final Position Paper at 4.
[61] Hospital Cost Report CMS Form 2552-10 Worksheet B-1 Column 5 instructions indicate accumulated cost as the statistic for A&G.
[62] MAC Post-Hearing Brief at 4.
[63] Providers' Final Position Paper at 10-11.

of the CAHs services impacting just a portion of the CAHs incurred costs. Therefore, the Board finds that adding the CAHs accumulated costs to MMC-SC's accumulated costs statistic results in an excessive amount MMC-SC's A&G costs being allocated to the CAHs and does not comply 42 C.F.R. § 413.24(d).

In further support of this finding the Board points out that a large portion of MMC-SC's A&G costs consist of MMC-SC's share of Trinity's home office costs.[64] When asked about the relationship between MMC-SC's share of Trinity's home office costs and the services identified in the Management Agreement, the CAHs' witness acknowledged that there was not a direct relationship, but argued simply that the cost report was an acceptable way to allocate related party costs to the CAHs. [65] The Board recognizes that 42 C.F.R. § 413.24(d) allows a free-standing entity to be included as a non-reimbursable cost center on the cost report for the purpose of allocating overhead costs to that entity. However, the Board further notes that the regulation requires that the allocation methodology result in an "*accurate* allocation of costs to the entity."[66] As previously explained, the Board finds that MMC-SC's A&G allocation statistic charged excessive costs to the CAHs and, accordingly, that it is not an accurate allocation of costs to the CAHs.

The CAHs dispute that the allocation is inaccurate, pointing out that the Medicare Contractor did not adjust the allocation of MMC-SC's A&G costs when it settled MMC-SC's 2013 cost report.[67] While the Board acknowledges this fact, the CAHs' witness admitted that MMC-SC's 2013 cost report was settled based on a very limited review.[68] Additionally, the Medicare Contractor's witness explained that performing a review and adjusting MMC-SC's A&G cost allocation would have "no dollar impact on [MMC-SC] because it's an inpatient PPS hospital."[69] The Board finds it reasonable for the Medicare Contractor to have adjusted the CAHs' cost reports by removing MMC-SC's A&G costs while not adjusting MMC-SC's cost report because MMC-SC and the CAHs are paid differently. Medicare paid the CAHs based on their costs, so an adjustment to the CAHs cost report impacted the amount Medicare paid the CAHs. Since MMC-SC is paid based on the IPPS, not on its costs, adjusting MMC-SC's cost report would have had no impact on Medicare's payments to MMC-SC.

The Board finds that the CAHs have not identified the volume, frequency, and costs of the A&G services provided by MMC-SC and therefore have not met the requirements of 42 C.F.R. § 413.17(a). Therefore the Board upholds Medicare Contractor's adjustments disallowing the $1,104,109 claimed by Baum and the $911,938 claimed by Oakland, for MMC-SC's A&G costs.

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[64] Exhibit P-10 at 29 is the Schedule A-8-1 and, in column 4, it shows $17,646,535 of related party costs from Trinity being added to MMC-SC's A&G. This amount will be included in MMC-SC's Worksheet A (*i.e.*, $6,519,257+$11,127,278+=$17,646,535).
[65] Tr. at 232-234.
[66] 42 C.F.R. § 413.24(d)(7) (emphasis added).
[67] Providers' Final Position Paper at 8; Tr. at 42, 90-93
[68] Tr. at 264.
[69] *Id.* at 306.

DECISION AND ORDER

After considering the Medicare law and regulations, the parties' contentions, and the evidence submitted, the Board finds that the Medicare Contractor properly adjusted the 2013 cost reports of Baum Harmon and Oakland to disallow MMC-SC's A&G costs.

BOARD MEMBERS PARTICIPATING:

Charlotte F. Benson, CPA
Gregory H. Ziegler, CPA, CPC-A
Robert A. Evarts, Esq.
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FOR THE BOARD:

7/25/2019

X Charlotte F. Benson

Charlotte F. Benson, CPA
Board Member
Signed by: PIV

APPENDIX A

	Provider No.	Provider Name	FYE
1	16-1300	Baum Harmon Mercy Hospital	6/30/2013
2	28-1321	Oakland Mercy Hospital	6/30/2013