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Payers Deny Separate Charges Using Their Own Policies, Pay Less Than Contracted Rates

By Nina Youngstrom

In their unbundling audits of hospital bills, some commercial payers are denying payment for items and services charged separately based on their policies, not Medicare language. The payers have been using the Medicare *Provider Reimbursement Manual* to support their position that hospitals can't bill separately for routine and ancillary services provided during hospital stays, but there was pushback from hospitals, which contend the payers were misapplying CMS's words. Now some payers are reverting to their own policies, a hospital official says.

The net effect is the same: Commercial payers, and in some cases Medicare Advantage plans, are paying hospitals less than the contracted rates for equipment, supplies and devices used during hospital stays.

"We are still fighting with our payers on these unbundling audits. Now they are not arguing about Medicare regulations, but are pulling out policies they have that say we have to bundle all kinds of charges into room and board or base operating room charges," says the hospital official, who prefers not to be identified. "If it is in the policy, the policy is reducing payment inappropriately. It's lower than the contract calls for."

Her hospital has lost \$4 million from three payers in the past year and a half to unbundling denials.

Hospitals across the country are facing more unbundling audits, also known as forensic reviews, from auditors hired by commercial payers that have percent-of-charge contracts with the hospitals or Medicare Advantage contracts that pay DRGs and separate charges when cases qualify for outlier payments ("Some Insurers Are Denying Separate Charges, Citing Medicare; 'They're Doing it Wrong,' RMC 28, no. 5). The auditors take the position that all itemized charges for supplies, material and equipment are part of overhead—room and board or operating room charges. "It's a problem in Michigan and every other state," says Marilyn Litka-Klein, vice president of health finance at the Michigan Health & Hospital Association. "It's an opportunity for the [payers] to save money."

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