

Report on Medicare Compliance Volume 28, Number 5. February 11, 2019 Some Insurers Are Denying Separate Charges, Citing Medicare; ‘They’re Doing it Wrong’

By Nina Youngstrom

Auditors for some commercial payers are denying payment for items and services charged separately on hospital bills, and in some cases bending the Medicare *Provider Reimbursement Manual* to do it, according to a hospital official and a consultant. The auditors contend that hospitals are unbundling charges for equipment, supplies and devices used in surgery that should be included in the cost of the procedure, but the auditors are wrong, the hospital official and consultant say. Hospitals may not realize they’re losing money because sometimes payers make contractual adjustments based on the audit findings, but often they see it plainly in line-item denials. Either way, the premise for the denials is incorrect because CMS has said that hospitals may list surgical items and services separately on their itemized statements as long as they’re reasonably related to the costs.

“It’s increasing in intensity and focus,” says the hospital official, who prefers not to be identified. “I get so frustrated.” The losses are mounting, and in the millions of dollars. The hospital official and consultant think hospitals should appeal the denials and perhaps escalate them to senior leaders at the third-party payers.

The audits affect some hospitals with percentage-of-charge payer contracts and Medicare Advantage contracts that pay DRGs and separate charges when cases qualify for outlier payments.

The auditors, who have been hired by various payers, contend that hospitals can’t charge separately for routine and ancillary services used in procedures. They cite the Medicare *Provider Reimbursement Manual*, including Sec. 2202.6, which states that “Inpatient routine services in a hospital or skilled nursing facility generally are those services included by the provider in a daily service charge—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, medical social services, psychiatric social services, and the use of certain equipment and facilities for which a separate charge is not customarily made.”

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