

70 - Allowable Costs

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Allowable costs are those direct and indirect costs, including normal standby costs, which the HMO/CMP incurs and are proper and necessary to efficiently deliver needed health care. These costs include costs related to the care of beneficiaries that are normally paid by Medicare and other costs such as enrollment, membership, and similar costs unique to Medicare HMO/CMPs and necessary to the HMO/CMP's operations.

The types of items and costs generally incurred by a provider of service, in accordance with the principles of reimbursement for provider costs, are allowable to an HMO/CMP. These costs are allowable and reimbursable if incurred by the HMO/CMP, by providers of services, or other facilities owned or operated by the HMO/CMP through which covered care is furnished to its Medicare enrollees.

The allowable costs of an HMO/CMP are first determined in accordance with the principles set forth in [42 CFR Part 417, Subpart O](#) and this manual. After those requirements are met, the Medicare principles of reimbursement as described in the “Provider Reimbursement Manual” (Pub. 15) are applicable if they are not in contradiction with the regulation and this manual. In addition, Generally Accepted Accounting Principles (GAAP) should be followed if instructions in the regulation or manuals do not instruct the HMO/CMP otherwise.