

260 - Physical and Other Therapy Services Furnished Under Arrangements

(Rev. 4, 10-01-01)

The reasonable cost of physical, occupational, speech, and other therapeutic services, or services of other health-related specialists (except physicians) performed by outside suppliers for providers of services, clinics, rehabilitation agencies, public health agencies, or Medicare HMO/CMPs may not exceed the sum of:

- Amounts equivalent to the salary and other costs that would have been incurred by the provider or other entity if the services had been performed in an employment relationship and
- An allowance to compensate for other costs an individual not working as an employee might incur in furnishing services under arrangements.

However, this reasonable cost may be determined on the basis of a reasonable rate per unit of service:

- When the services of a therapist or other health-related specialist are required only on a limited part-time basis or only intermittently and
- When aggregate reimbursement on this per unit of service basis is less than what the provider would have paid a salaried employee therapist or other health-related specialist on a full-time or regular part-time basis. (See 42 CFR 413.106.)

In no case, though, may reasonable cost exceed the amount actually paid the outside supplier for services rendered.

For a detailed discussion of reasonable cost, see Chapter 14 of the “Provider Reimbursement Manual” (Pub. 15), Part I.