

Kansas Administrative Regulations

Kansas Department for Children and Families

Article 5.—Provider Participation, Scope of Services, and Reimbursements for the Medicaid (Medical Assistance) Program

30-5-97. Cost report data limitations and allowances for pharmacy services.

(a) Allowable costs for cost related reimbursement and professional fee determination shall be limited to those that arise from arms length transactions between unrelated parties. Related parties shall exist when one (1) party of a transaction has the ability to significantly influence another party to the extent that their own separate interests may not be fully pursued.

(1) Costs not related to the provision of pharmacy services shall be disallowed in the computation of the professional fee. Related costs shall be allowed in total, fractionally allocated or limited in the professional fee computation process per cost finding and allocation techniques employed in the analysis of pharmacy cost reports.

(2) The following costs shall be disallowed, fractionally allocated or limited in the analysis of cost reports:

(A) transactions between related parties are disallowed as costs (*i.e.*, non-arms length transactions), except that compensation received by owners shall be limited to a reasonable amount and accepted as an allowable cost if the owner actually performs functions directly related to the provision of pharmacy services. The reasonable limitation of an owner's compensation shall take into consideration the costs that would have been incurred to pay a non-owner employee for performance of the duties related to the provision of pharmacy services;

(B) costs deemed unreasonable by comparison with similar costs incurred by similar pharmacy providers may be limited or disallowed;

(C) non-competition covenant expenses are not allowable as costs for professional fee determination; and

(D) corporate officer's fees shall be considered as owner's compensation and subject to the limitations applicable to owner's compensation.

(3) Nothing in this section shall preclude application of reasonable limitations on any other specific cost data items as considered appropriate by the agency.

(b) Audit findings and conclusions per review of pharmacy provider cost reports and subsequent professional fee determinations which reveal overpayment by the agency for pharmacy services shall be subject to refund to the agency by such pharmacy providers. Audit activities which reveal underpayment by the agency to pharmacy providers shall be subject to adjustment payment by the agency to such providers.

(c) Insufficient documentation to support payment for services provided as reflected on billings submitted to the agency by pharmacy providers shall result in suspension or denial of program payments to such provider pending verification of documentation to support the billed charges.

(Authorized by and implementing K.S.A. 1980 Supp. 39-708c; effective May 1, 1981.)

***** Authenticated Kansas Administrative Regulation *****