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AUG 9 1999

Ann Rosser  
Senior Director  
Economics and Health Policy  
American College of Radiology  
1891 Preston White Drive  
Reston, Virginia 20191-4397

Dear Ms Rosser:

I am responding to a letter we received some time ago from Michael Mabry regarding Medicare payment for the transcription costs associated with physician interpretations of radiologic procedures. The letter asked for confirmation that transcription costs are payable to a hospital either as a part of the technical component or through payments from the fiscal intermediary. I would first point out that, under current payment rules, intermediaries do not make technical component payments to hospitals in the same way as carriers make such payments for procedures furnished in nonhospital settings.

There is no question that costs incurred by the hospital for the transcription of interpretations are allowable operating costs for purposes of intermediary payments. Such costs may be recognized on a reasonable costs basis for outpatient procedures or procedures furnished in hospitals that are not under the prospective payment system (PPS). For hospitals under PPS, costs apportioned to inpatient services would be payable through diagnosis related group payments.

The comments we are providing you should not be construed as addressing in any manner the potential applicability of the Medicare and Medicaid anti-kickback statute, 42 U.S.C. 1320a-7b(b), to the arrangement in question. This Department does not issue advisory opinions of any kind pertaining to this statute, and our declining to do so should not be interpreted as acquiescence by the Government to the arrangement in question.

Sincerely,

Terrence L. Kay  
Director

Division of Practitioner and Ambulatory Care  
Plan and Provider Purchasing Policy Group  
Center for Health Plans and Providers

