Snyder, Erin P

From: Snyder, Erin P
Sent: Monday, November 14, 2022 7:34 PM
To: STEPHEN.WOOD@palmettogba.com
Cc: Shannon, Rene
Subject: Re: Atrium Health/Medcost Relationship

Dear Mr. Wood,

Medcost, LLC is not owned or controlled by Atrium Health. Atrium Health has no ability to control the decisions that NCBH makes with respect to Medcost.

For your reference, here is a quick summary of the relationships between the various corporate entities. It is complicated. I would be happy to jump on a call to talk it through with you at your convenience.

- Atrium Health, Inc. (AHI) is a non-profit corporation.
- AHI has entered into contracts with Wake Forest University Baptist Medical Center (WFUBMC) and CMHA.
- In those contracts, WFUBMC and CMHA delegated certain corporate powers to AHI so that AHI can manage certain enterprise functions of CMHA and WFUBMC as a unified healthcare enterprise that does business under the name "Atrium Health."
- CMHA and WFUBMC continue to exist as separate legal entities with reserved corporate powers.
- There are 3 entities that have membership interests in WFUBMC. North Carolina Baptist Hospital (NCBH) is one of the entities with a membership interest in WFUBMC. Wake Forest University and AHI also have membership interests in WFUBMC.
- NCBH has a 50% membership interest in Medcost, LLC.
- AHI, CMHA and WFUBMC do not have the ability to control the decisions NCBH makes with respect to Medcost.

Importantly, even if it were determined that Atrium Health, Inc. had ownership or control of Medcost (it does not), CMHA qualifies for the exemption to the Related Party rule. Please see the yellow highlighted section below.

Hope this info is helpful. Please let us know what other info we can provide.

Thanks,
Erin

Erin Snyder
Vice President and Managing Counsel
Atrium Health
(704) 355-3063

From: Shannon, Rene <Rene.Shannon@atriumhealth.org>

Sent: Monday, November 14, 2022 5:30 PM
To: Snyder, Erin P <Erin.Snyder@atriumhealth.org>
Subject: FW: Atrium Health/Medcost Relationship

Hi Erin,

See follow up question below...

Thanks,
René

L. René Shannon, CHFP
Director, Financial Services
Corporate Reimbursement
Compliance Liaison
Office: 704-512-6458 | Fax: 704-512-6485 | Cell: 202-815-5573

Atrium Health

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ProviderEnrollment@atriumhealth.org

From: STEPHEN WOOD <STEPHEN.WOOD@palmettogba.com>
Sent: Monday, November 14, 2022 5:28 PM
To: Shannon, Rene <Rene.Shannon@atriumhealth.org>
Subject: RE: Atrium Health/Medcost Relationship

Rene,

Thank you for the below responses. Based on the response to question one, it would appear that Medcost is 100% owned by Atrium Health since both CMHA and NCBH are under the greater Atrium Health banner. Can you please elaborate on how having both groups under the same umbrella impacts the ownership and control of Medcost?

Thank you,

Stephen Wood
Provider Audit Supervisor - JM
Palmetto GBA
803-382-6286
803-935-0248 fax
Stephen.Wood@palmettogba.com

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From: Shannon, Rene <Rene.Shannon@atriumhealth.org>
Sent: Monday, November 14, 2022 5:04 PM
To: STEPHEN WOOD <STEPHEN.WOOD@palmettogba.com>
Subject: [EXTERNAL] RE: Atrium Health/Medcost Relationship

Hi Stephen,

Please see responses to your questions below in red. Let me know if you need anything further.

Thanks,
René

L. René Shannon, CHFP
Director, Financial Services
Corporate Reimbursement
Compliance Liaison
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ProviderEnrollment@atriumhealth.org

From: STEPHEN WOOD <STEPHEN.WOOD@palmettogba.com>
Sent: Thursday, November 3, 2022 4:12 PM
To: Shannon, Rene <Rene.Shannon@atriumhealth.org>
Subject: [EXTERNAL] Atrium Health/Medcost Relationship

Thank you for all the documentation you've provided. I want to get a better understanding of Atrium's relationship with Medcost.

- In a previous email, it was stated that Atrium Health owns a 50% equity share of Medcost. Who owns the other 50%?
  The Charlotte Mecklenburg Hospital Authority d/b/a Atrium Health ("CMHA") owns several Medicare certified hospitals as divisions of CMHA, including Carolinas Medical Center (CCN 34 0013) ("CMC"). CMHA also has a 50% membership interest in MedCost, LLC ("MedCost"), which provides health care benefit management services to CMHA and unrelated hospitals and health systems and other types of entities. In addition, there is one other member of MedCost – North Carolina Baptist Hospital ("NCBH"). CMHA and NCBH each hold a 50% membership interest in MedCost -- that is, each have an equal ownership interest in MedCost. Attached to this email is a simplified diagram of this relationship.
- Who controls Medcost (i.e. does Atrium have any ability to directly or indirectly influence or direct the actions or policies of Medcost)?
  Under its Operating Agreement, MedCost is managed by a Management Committee. Three members of the Management Committee are appointed by CMHA, and three members are appointed by NCBH. The three representatives for each member vote as a single block on behalf of the member they represent. So, effectively, each member has a single vote on any decision, with that vote being cast by the majority of the three representatives for that member. As a result, and as explicitly stated in the Operating Agreement, any action requiring a decision from the Management Committee requires unanimous approval by the two members. Without the consent of both members, the issue would be deferred. Accordingly, NCBH and CMHA must exercise their respective rights in MedCost in unison, and since they have equal interests and rights in MedCost, neither have the power to control MedCost alone. CMHA does not have a special supermajority interest/vote or veto rights over decisions related to MedCost operations. Further, CMHA does not have any representatives or employees that are involved in the day-to-day management or operations of MedCost.
- What percentage of Medcost's business activity is done with entities outside the Atrium umbrella?
  MedCost provides business services to over 600 employer entities. To the best of our knowledge, MedCost's clients include health care providers, municipalities, counties, and various other commercial employer entities. We do not know the exact percentage of entities that are CMHA affiliates, but we estimate it to be significantly fewer than 30 - i.e., less than 5% of the 600+ entities.
- Why is Medcost not reported as a related party on the cost report (i.e. Worksheet A-8-1)?
  Medicare's "related party rule" applies if a provider purchases services, facilities or supplies from an entity that is related to the provider by common ownership or common control. See 42 C.F.R. § 413.17; Provider Reimbursement Manual – Part 1, ("PRM") Ch. 10, § 1000. The determination of related party status is a fact-specific analysis made by examining: (1) the existence of common ownership between the provider and the vendor; and (2) the existence of control over the other organization. Here, there is not common ownership between CMHA and Medcost. There is also not control of Medcost by CMHA. Finally, CMHA qualifies for the exemption to the related party rule.

  a. There is Not Common Ownership with MedCost.

  Medicare Guidance: "Common ownership exists when an individual or individuals possess significant ownership or equity in the provider and the institution or organization serving the provider." 42 C.F.R. § 413.17(b)(2). The PRM gives several examples of common ownership. Generally, the examples show that ownership of more than 50% of the supplier and provider constitutes common ownership. However, in some

cases, less than majority control may also result in related-party status. The PRM provides an example where an individual owned 60% of a provider and 40% of a supplier. The remaining 60% of the ownership in the supplier was spread out among 20 separate individuals. Since the 40% owner had the largest voting block, CMS concluded that the provider and supplier would be related parties unless the individual could demonstrate to the intermediary that holding the single largest voting block did not result in significant de facto control over the supplier.

Application to MedCost: The common-ownership links potentially arise from CMHA's ownership of CMC and its ownership of the membership interest in MedCost. However, CMHA's 50 percent interest in MedCost is not sufficient to trigger related-party status because there is only one other owner of MedCost, and it has an equal ownership interest. In Section 1004.2 of the PRM, CMS indicates that it may treat two entities as related even if it does not own more than a 50-percent interest in the other. However, in the example of common ownership, where less than a 51-percent ownership interest was deemed to create common ownership, the remaining interest was dispersed over 20 unrelated individuals. In this case, NCBH has an equal ownership in MedCost at 50 percent. Therefore, there is no common ownership between MedCost and CMHA.

b. There is Not Control Between CMHA and MedCost

Medicare Guidance: "Related to the provider means that the provider to a significant extent is associated or affiliated with or has control of or is controlled by the organization furnishing the services, facilities or supplies." 42 C.F.R. § 413.17(b)(1). "Control exists if an individual or organization has the power, directly or indirectly, significantly to influence or direct the actions or policies of an organization or institution." 42 C.F.R. § 413.17(b)(3). The PRM elaborates on its definition of control by giving three examples of control: administrative control, contractual control and indirect control. The PRM also gives an example of the attribution of control when a person is presumed to have control over a provider owned by a relative.

Application to MedCost: Even though there are three members appointed by CMHA, CMHA still does not have control of the Management Committee since it is directly offset by an equal number of appointees from the only other owner of MedCost. Further, CMHA does not have special supermajority interest/vote or veto rights over MedCost such that it could over-rule NCBH on certain issues. It is also important to note that NCBH and CMHA must exercise their respective rights in MedCost unanimously, and since they have equal interests and rights in MedCost, neither have the power to control MedCost alone. Further, CMHA does not have any representatives or employees that are involved in the day-to-day operations of MedCost. Therefore, CMHA does not have control over MedCost.

c. If there is Common Ownership or Control, CMHA Would Qualify for the Exemption to the Related Party Rule

Medicare Guidance: The related party rule will not apply in situations where the vendor is a bona fide separate organization from the supplier. Specifically, to be eligible for the exception, the following conditions must be met:

1. The supplying organization is a bona fide separate organization;
2. A substantial part of its business activity of the type carried on with the provider is transacted with others than the provider and organizations related to the supplier by common ownership or control, and there is an open, competitive market for the type of services, facilities, or supplies furnished by the organization;
3. The services, facilities, or supplies are those that commonly are obtained by institutions such as the provider from other organizations and are not a basic element of patient care ordinarily furnished directly to patients by such institutions; and

4. The charge to the provider is in line with the charge for such services, facilities, or supplies in the open market and no more than the charge made under comparable circumstances to others by the organization for such services, facilities, or supplies. 42 C.F.R. § 413.17(d).

The PRM elaborates on its view of number 2: "[t]he exception is intended to cover situations where large quantities of goods and services are supplied to the general public and only incidentally are furnished to related organizations." CMS Pub. 15-1, § 1010.1.

Application to MedCost: Even if CMHA and MedCost were to have common ownership or control, the related party rule also provides an exception that permits the charge by the supplier to the provider for such services, facilities, or supplies as allowable cost.

MedCost provides its services to over 600 employer entities, which include health care providers, municipalities, counties, and various other commercial employer entities. We do not know the exact percentage of entities that are CMHA affiliates, but we estimate it to be significantly fewer than 30 - i.e., 5% of entities.

MedCost is a bona fide separate organization because it is housed within a separate LLC and provides services to both CMHA and non-CMHA entities. In addition, since more than 95 percent of MedCost's clients are non-CMHA entities, more than a substantial amount of services are furnished to unrelated organizations. Further, there is an open, competitive market for the type of services, since many other companies offer health care benefit management services, and the services are not a basic element of patient care. Finally, the amounts that MedCost charges CMHA for administrative fees are consistently less than what other organizations charge for these types of services. Therefore, even if MedCost was a related organization with respect to CMHA, it would qualify for the exception to the related party rule.

- A previous email noted the claims process as, "where the provider is Atrium, and the patient is also an Atrium member, we process those as "No-Pay" claims, and Atrium moves money internally when they receive the EOB." No explanation was provided on how the claim reimbursement is determined. Can you please detail what/who determines the hospital's reimbursement amount for claims submitted?

  MedCost is the Third-Party Administrator (TPA) for CMHA's Self-Funded Health Insurance Plan.

  The Provider Reimbursement Manual Part 2, Section 4005.2 gives the following instruction as to how to record health insurance costs under a self-funded plan with a TPA:

  Amount the TPA pays to the hospital or other health care providers for services rendered under the plan. (For domestic claims, the hospital must provide documentation from its TPA to demonstrate that payments for services rendered to employees are based on a discount from full charges. Also, the payments must be reasonable; that is, the costs included for domestic claims must not exceed the amount that commercial insurers pay the hospital for the same services rendered to non-employees.) Employee withholdings and contributions are employee costs, not hospital costs. Hospitals are not permitted to treat as hospital wage-related costs the amounts that their employees incur for their health insurance benefits.

  So, when CMHA employees receive services from an CMHA hospital or other health care provider, instead of CMHA billing and paying itself, MedCost processes these claims as "No-Pay" claims and CMHA transfers money internally. MedCost follows a similar process for other health care provider clients that are self-insured. CMHA sets rates the "No-Pay" claim services as a discount from charges and ensure that such rates are not more than the rates commercial plans, such as Blue Cross Blue Shield, would pay. Then, CMHA transmits those rates to MedCost.

Let me know if you have any questions.

Best regards,

Stephen Wood
Provider Audit Supervisor - JM
Palmetto GBA
803-382-6286
803-935-0248 fax
Stephen.Wood@palmettogba.com

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Snyder, Erin P

From: Shannon, Rene
Sent: Thursday, January 12, 2023 4:11 PM
To: Snyder, Erin P
Subject: FW: 340113 Health Insurance Review

Thanks,
René

L. René Shannon, CHFP
Director, Financial Services
Corporate Reimbursement
Compliance Liaison
Office: 704-512-6458 | Fax: 704-512-6485 | Cell: 202-815-5573

Atrium Health

Mailing: PO Box 32861, Charlotte, NC 28232-2861
Shipping/Express Mail: 4400 Golf Acres Dr., Suite A, Charlotte, NC 28208

From: Shannon, Rene
Sent: Friday, October 28, 2022 4:29 PM
To: 'STEPHEN WOOD' <STEPHEN.WOOD@palmettogba.com>
Subject: RE: 340113 Health Insurance Review

Hi Stephen,

I've uploaded the requested documents. I am missing transaction history for sample #2 and #5, so I've followed up with Medcost on those and will send asap. Please let me know if you have any questions.

Also, in reference to request item #4, we have an Executive Committee that is responsible for Pricing Governance that ensures we are in compliance with PRM Part 1, Chapter 22, Section 2202.4.

Provider Name: **Carolinas Medical Center**

Provider Number (PTAN): **340113**

National Provider Identifier (NPI): **1295789907**

Documentation Submission Data

Type of Documentation: * Wage Index

Reporting Period Begin Date: * 01/01/2020

Reporting Period End Date: * 12/31/2020

NOTE: Attachment files can be one of the following types: PDF, Word (*.doc, *.docx), Excel (*.xls, *.xlsx). Each attachment can be up to 40 MB in size. The total size of all attachmer characters such as commas will be removed from uploaded file names, and duplicate file names will not be accepted

Attachment: Choose File No file chosen

Attached Files

File Name	File Size (in bytes)	File Type	Action
	244398	application/pdf	R
	86528	application/vnd.ms-excel	R
	98536	application/pdf	R
	72654	application/pdf	R
	9672	application/vnd.ms-excel	R
	23851	application/pdf	R
	14178	application/vnd.ms-excel	R
	3369	application/pdf	R
	11592	application/pdf	R
	3618	application/vnd.ms-excel	R

Redacted

Employee information

Total File Size: 9 MB

Max Allowed: 150MB

Showing 1 to 10 of 15 entries « First « Prev 1 2

Provider Information

Contract/Region:	11501/Part A North Carolina
Provider Name:	Carolinas Medical Center
Provider Number (PTAN):	340113
National Provider Identifier (NPI):	1295789907

Documentation Submission Data

Type of Documentation: * Wage Index

Reporting Period Begin Date: * 01/01/2020

Reporting Period End Date: * 12/31/2020

NOTE: Attachment files can be one of the following types: PDF, Word (*.doc, *.docx), Excel (*.xls, *.xlsx). Each attachment can be up to 40 MB in size. The total size of all characters such as commas will be removed from uploaded file names, and duplicate file names will not be accepted.

Attachment: Choose File No file chosen

Attached Files

File Name	File Size (in bytes)	File Type
[redacted]	98558	application/pdf
[redacted]	98304	application/vnd.ms-excel
[redacted]	2339204	application/pdf
[redacted]	118659	application/pdf
[redacted]	4972351	application/pdf

Total File Size: 9 MB

Max Allowed: 150MB

Showing 11 to 15 of 15 entries « First « Prev

*Required Field

Thanks,
René

L. René Shannon, CHFP
Director, Financial Services
Corporate Reimbursement
Compliance Liaison
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ProviderEnrollment@atriumhealth.org

From: Shannon, Rene
Sent: Tuesday, October 25, 2022 6:10 PM
To: 'STEPHEN WOOD' <STEPHEN.WOOD@palmettogba.com>
Subject: RE: 340113 Health Insurance Review

Hi Stephen,

I've uploaded the chargemasters to e-services. HR has asked Medcost to have the other documents by Friday. I will keep you updated.

Contract/Region:	11501/Part A North Carolina
Provider Name:	Carolinas Medical Center
Provider Number (PTAN):	340113
National Provider Identifier (NPI):	1295789907

Documentation Submission Data

Type of Documentation: * Wage Index

Reporting Period Begin Date: * 01/01/2020

Reporting Period End Date: * 12/31/2020

NOTE: Attachment files can be one of the following types: PDF, Word (*.doc, *.docx), Excel (*.xls, *.xlsx). Each attachment can be up to 40 MB in size. The total size of all attachme characters such as commas will be removed from uploaded file names, and duplicate file names will not be accepted.

Attachment: Choose File No file chosen

Attached Files

File Name	File Size (in bytes)	File Type	Action
AH Behavioral Health - Charlotte CDM.xlsx	543315	application/vnd.openxmlformats-officedocument.spreadsheetml.sheet	-
Atrium Health Mercy CDM.xlsx	1779753	application/vnd.openxmlformats-officedocument.spreadsheetml.sheet	-
Carolinas Medical Center CDM.xlsx	5688254	application/vnd.openxmlformats-officedocument.spreadsheetml.sheet	-

Thanks,
René

L. René Shannon, CHFP
Director, Financial Services
Corporate Reimbursement
Compliance Liaison
Office: 704-512-6458 | Fax: 704-512-6485 | Cell: 202-815-5573

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From: Shannon, Rene
Sent: Tuesday, October 25, 2022 4:53 PM
To: STEPHEN WOOD <STEPHEN.WOOD@palmettogba.com>
Subject: RE: 340113 Health Insurance Review

Hi Stephen,

I will send this over. Not sure if Friday is enough time but I will let you know.

Thanks,
René

L. René Shannon, CHFP
Director, Financial Services
Corporate Reimbursement
Compliance Liaison
Office: 704-512-6458 | Fax: 704-512-6485 | Cell: 202-815-5573

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ProviderEnrollment@atriumhealth.org

From: STEPHEN WOOD <STEPHEN.WOOD@palmettogba.com>
Sent: Tuesday, October 25, 2022 4:15 PM
To: Shannon, Rene <Rene.Shannon@atriumhealth.org>
Subject: [EXTERNAL] 340113 Health Insurance Review
Importance: High

Good afternoon Rene,

Attached is a sample of five claims from the Medcost detail report. The password is the same format as the one John Palmer has been using to request documentation. Can you please provide the following documentation:

1) The Medcost Remit.
2) A copy of the Medcost plan details (i.e. coverages, deductibles, copays, etc.).

3) A copy of the chargemaster used during the period being reviewed.
4) A copy of any policies/procedures as they relate to pricing for services.
5) The patient account history.

If you can, please have them submit the documentation by COB Friday. Let me know if you have any questions.

Best regards,

Stephen Wood
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