
42 C.F.R. § 417.532

General considerations.

(a) *Conditions and criteria for payment.* (1) The costs incurred by the HMO or CMP to furnish services covered by Medicare are reimbursable if they are—

(i) Proper and necessary;

(ii) Reasonable in amount; and

(iii) Except as provided in § 417.550, appropriately apportioned among the HMO's or CMP's Medicare enrollees, other enrollees, and nonenrolled patients.

(2) In determining fair and equitable payment for the HMOs or CMPs, CMS generally applies the cost payment principles set forth in § 413.5 of this chapter.

(3) In judging whether costs are reasonable, CMS applies the weighted average of the AAPCCs of each class of the HMO's or CMP's Medicare enrollees (as defined in § 417.582) for the HMO's or CMP's geographic area as an absolute limitation on the total amount payable.

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