
CMS Manual System

Pub. 100-06 Medicare Financial Management

Department of Health & Human Services (DHHS)
Centers for Medicare & Medicaid Services (CMS)

Transmittal 54

Date: SEPTEMBER 24, 2004

CHANGE REQUEST 3441

SUBJECT: Notification to Providers of Intent to Complete a Post-Payment Audit

I. SUMMARY OF CHANGES: To manualize the Medicare Modernization Act requirement that contractors must provide written notice to all providers of the intent to conduct a post-payment audit.

NEW/REVISED MATERIAL - EFFECTIVE DATE: December 8, 2003

***IMPLEMENTATION DATE: October 25, 2004**

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)
(R = REVISED, N = NEW, D = DELETED – (Only One Per Row.)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	8/10.1/Contractor's Responsibility Prior to Submission of Cost Reports

***III. FUNDING:**

These instructions shall be implemented within your current operating budget.

IV. ATTACHMENTS:

X	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

***Medicare contractors only**

Attachment - Business Requirements

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SUBJECT: Notification to Providers of Intent to Complete a Post-Payment Audit

I. GENERAL INFORMATION

A. Background: This manual change advises contractors that the Medicare Modernization Act of 2003, P.L. 108-173 Section 935 requires that contractors must provide written notice to all providers of the intent to conduct a post-payment audit.

B. Policy: In accordance with Section 935 of the Medicare Modernization Act of 2003, contractors must provide written notice to all providers of the intent to conduct a post-payment audit. Contractors shall notify providers in the cost report reminder letter or the PS&R transmittal letter that all submitted cost reports are subject to desk review or audit.

C. Provider Education: None

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

Requirement Number	Requirements	Responsibility (place an "X" in the columns that apply)								
		FI	RHHI	Carrier	DMERC	Shared System Maintainers				Other
						FISS	MCS	VMS	CWF	
3441.1	Contractors shall notify providers in the cost report reminder letter or the PS&R transmittal letter that all submitted cost reports are subject to desk review or audit	X								

III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date: December 8, 2003</p> <p>Implementation Date: October 25, 2004</p> <p>Pre-Implementation Contact(s): Lisa Ogilvie, 410-786-2922</p> <p>Post-Implementation Contact(s): Lisa Ogilvie, 410-786-2922</p>	<p>Medicare Contractors shall implement these instructions within their current operating budgets.</p>
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10.1 – Contractor’s Responsibility Prior to Submission of Cost Reports

(Rev. 54, Issued: 09-24-04, Effective: 12-08-03, Implementation: 10-25-04)

In accordance with the Provider Reimbursement Manual, Part II (PRM-II), §104ff, providers that continue to participate in the Program and are required to submit a cost report must do so within 5 months of their cost reporting fiscal year end or 30 days after receipt of valid Provider Statistical and Reimbursement (PS&R) reports from the contractor, whichever date is later. Exceptions to this due date for “no Medicare utilization” cost reports are addressed in PRM-II, §110.A.

If the provider fails to file the cost report by the last day of the fourth month following the close of its cost reporting period, the contractor is required to send a reminder letter to the provider to help ensure that the cost report will be filed timely. (This letter may be sent sooner if the contractor wishes to send it at the time it sends the PS&R summary reports.) The reminder letter informs the provider of the due date for filing the cost report and the penalty for not filing the cost report timely. Furthermore, the reminder letter should include a statement that if the cost report cannot be submitted by the due date, the provider may request a reduced payment suspension rate of 50 percent during a grace period of 60 days. The reminder letter should specify that this request should be submitted before the due date of the cost report. *Also, either in the reminder letter or the letter transmitting the PS&R summary report, the contractor shall notify each provider that all submitted cost reports are subject to a desk review and/or an audit.*

If the contractor receives a request for a reduction in the rate of suspension either because the cost report will not be filed timely or because the submitted cost report was rejected and believes that the request should be approved, the contractor should recommend to the Regional Office (RO) that the provider’s suspension rate be reduced to 50 percent (or a different rate if appropriate because of unique circumstances) for a 60-day grace period. The contractor should maintain a copy of the RO’s approval/disapproval of this request in the provider’s file.

PRM-II, §§104.A.3 *and 104.B.2 specify* that the provider must receive the PS&R report on or before the 120th day following the close of a provider’s cost reporting period. Therefore, the contractor is required to furnish each provider with a copy of the year-to-date summary PS&R reports by the 120th day after the end of the provider’s cost reporting period. These PS&R reports (by type) should split the summary data into appropriate portions of the provider’s cost reporting period as dictated by the Medicare reimbursement policies (e.g., federal payments need to be split as specified in PRM-II, §3630 in order to calculate the indirect medical education and disproportionate share hospital payments). A split may also be necessary because of the provider’s unique situation. Having the split PS&R reports will enable the provider to file the cost report accurately. (See Chapter 9 of this manual for detailed description of the PS&R reports.)

If a provider requests detailed PS&R data (e.g., payment reconciliation report) to reconcile their records with your records, furnish an annual detailed PS&R reports at no

cost to the provider. If a provider requests interim (other than annual) detailed PS&R report data, provide the detailed data at intervals requested by the provider as long as they are reasonable. You may charge the provider a fee for this extra service. The fee should be reasonably related to costs you incur for the added service and be commensurate with your charge to all other providers for similar data.

Furnish the PS&R reports on electronic media, when cost effective, or on paper. The provider is expected to make reasonable efforts to process electronic media.