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# CMS Manual System

## Pub. 100-06 Medicare Financial Management

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

Transmittal 28

Date: DECEMBER 24, 2003

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CHANGE REQUEST 2875

**I. SUMMARY OF CHANGES:** This instruction replaces Exhibit 14. This manual update provides specific guidelines and detail instructions for estimating allowance for uncollectible accounts.

The revised instructions

- (1) Outline the required formula for calculating the historical collection percentage,
- (2) Provide instructions on how to apply the method of results to estimate the interest allowance for uncollectible accounts.
- (3) Require the Medicare contractor to complete a separate Allowance for Uncollectible Accounts Matrix for each submitted Form CMS 751 (i.e. H751A, H751B of A, H751B and H751B-DMERC)

**NEW/REVISED MATERIAL - EFFECTIVE DATE: January 1, 2004**

**\*IMPLEMENTATION DATE: January 31, 2004**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged.*

**II. CHANGES IN MANUAL INSTRUCTIONS:  
(R = REVISED, N = NEW, D = DELETED)**

<b>R/N/D</b>	<b>CHAPTER/SECTION/SUBSECTION/TITLE</b>
<b>R</b>	5-Financial Reporting/Table of Contents/400.14-Exhibit 14-Protocol for Estimating Allowance for Uncollectible Accounts Forms CMC-H/M751A/B, Status of Accounts Receivable
<b>R</b>	5-Financial Reporting /400.14-Exhibit 14-Protocol for Estimating Allowance for Uncollectible Accounts Forms CMS-H/M751A/B, Status of Accounts Receivable

**\*III. FUNDING:** These instructions shall be implemented within your current operating budget.

**IV. ATTACHMENTS:**

<b>x</b>	<b>Business Requirements</b>
<b>x</b>	<b>Manual Instruction</b>
	<b>Confidential Requirements</b>
	<b>One-Time Special Notification</b>
	<b>Recurring Update Notification</b>

**\*Medicare contractors only:**

# Attachment - Business Requirements

Pub. 100-6	Transmittal: 28	Date: December 24, 2003	Change Request 2875
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**SUBJECT: Protocol for Estimating Allowance for Uncollectible Accounts**

## I. GENERAL INFORMATION

**A. Background:** This instruction replaces Exhibit 14. These manual updates provide detail instructions on developing a systemic method to measure potential losses due to uncollectible amounts and specific guidelines for estimating allowance for uncollectible accounts. There are no shared systems changes required to implement this change request.

**B. Policy:** The Federal Accounting Standards Advisory Board (FASAB) recommends through Statement of Federal Financial Accounting Standard Number 1 (Paragraphs 44&45) that losses on receivables should be recognized when it is more likely than not that receivables will be totally collected.

**C. Provider Education:** None

## II. BUSINESS REQUIREMENTS

*"Shall" denotes a mandatory requirement*

*"Should" denotes an optional requirement*

Requirement #	Existing Requirements	Responsibility
2875.1	A systematic method based on an analysis that requires that receivables be stratified into the sub-groups which shall are: -Group 1 (Fiscal Intermediaries) -Group 2 (Carriers)	Medicare contractors
2875.2	Medicare contractors shall stratified Group 1 into two sub-groups such as: -Sub-Group 1 (Non-MSP) representing cost report settlements, credit balances, claims accounts receivable and other accounts receivables. -Sub-Group 2 (MSP) representing group health plan (Data Match/Non-Data Match) liability MSP.	Medicare contractors
2875.3	Medicare contractors shall perform the following steps to calculate and validate the allowance for uncollectible accounts for Group 1, Sub-Group 1 -Step 1. Calculate the allowance based on historical collection percentage. -Step 2. Individual Account Analyses (cost report settlement activity only) -Step 3. Compute the total delinquencies exceeding 180 days	

	-Step 4. Compare the three estimated amounts calculated in Steps 1, 2 & 3 and identify the amount that ensures that the net receivable is reported at its realizable value.	
2875.4	Medicare contractors shall perform the following steps to calculate and validate the allowance for uncollectible accounts for Group 1, Sub-Group 2 -Step 1. Calculate the allowance based on historical collection percentage. -Step 2. Compute the total delinquencies exceeding 180 days -Step 3. Compare the two estimated amounts calculated in Steps 1, & 2 and identify the amount that ensures that the net receivable is reported at its realizable value.	
2875.5	Medicare contractors shall stratified Group 2 into two sub-groups such as: -Sub-Group 1 (Non-MSP) representing claims accounts receivable, credit balances and other accounts receivables. -Sub-Group 2 (MSP) representing group health plan (Data Match/Non-Data Match) liability MSP.	Medicare contractors
2875.6	Medicare contractors shall perform the following steps to calculate and validate the allowance for uncollectible accounts for Group 2, Sub-Group 1 -Step 1. Calculate the allowance based on historical collection percentage. -Step 2. Compute the total delinquencies exceeding 180 days -Step 3. Compare the two estimated amounts calculated in Steps 1, & 3 and identify the amount that ensures that the net receivable is reported at its realizable value.	
2875.7	Medicare contractors shall perform the following steps to calculate and validate the allowance for uncollectible accounts for Group 2, Sub-Group 2 -Step 1. Calculate the allowance based on historical collection percentage. -Step 2. Compute the total delinquencies exceeding 180 days -Step 3. Compare the two estimated amounts calculated in Steps 1, & 2 and identify the amount that ensures that the net receivable is reported at its realizable value.	
2875.8	Medicare contractors shall calculate the historical collection percentage based on the following required formula. Step A. Determine Total Receivables Eligible for Collection: - Beginning Balance - Plus: New Receivables - Plus/Minus: Adjusted Amounts	

	<ul style="list-style-type: none"> <li>- Plus: Transfers Ins</li> <li>- Minus: Transfers Outs</li> <li>- Minus: Waivers &amp; Write-offs</li> <li>- Equal Total Receivables Eligible for Collection</li> </ul> <p>Step B. Determine the Rate of Collections:</p> <ul style="list-style-type: none"> <li>- Cash/Check Collections</li> <li>- Plus: Offsets Collections</li> <li>- Plus: Collections Deposited at Another Location</li> <li>- Equal Total Collections</li> <li>- Divide Total Collections by Total Receivable Eligible for Collection</li> <li>- Equal Rate of Collections</li> </ul> <p>Step C. Determine the Allowance Rate:</p> <ul style="list-style-type: none"> <li>- 1.00 minus the rate of collections (Step B)</li> </ul> <p>Step D. Average the allowance rate (Step C) with a 5-year historical allowance rate (if available, if not maintain statistical data to develop historical rate and proceed to Step E).</p> <p>Step E. Calculate the Allowance:</p> <ul style="list-style-type: none"> <li>- Multiply the allowance rate from Step C or Step D by the sum of Line 7, Ending Balance minus Line 2b, Accrued Receivables.</li> </ul>	
2875.9	Medicare contractors shall enter the calculated amounts of Group 1, Sub-Group 1 and Sub-Group 2 or Group 2, Sub-Group 1 and Sub-Group 2 in the required rows/columns of Exhibit 14.1 or Exhibit 14.2	
2875.10	Medicare contractors shall compare the results of the calculated amounts and enter the amount that ensures that the net receivable is reported at its realizable value in the required rows/columns of Exhibit 14.1 or Exhibit 14.2.	
2875.11	Medicare contractors shall report the amount that ensures that the net receivable is reported at its realizable value on Line 8, Allowance for Uncollectible Amounts on Forms CMS-H/M751A/B.	
	<b>Existing Requirements:</b>	
2951.4	A systematic method based on an analysis that requires that receivables be stratified into the sub-groups which shall are: -Group 1 (Fiscal Intermediaries) -Group 2 (Carriers).	Medicare contractors
2951.5	Medicare contractors shall stratified Group 1 into two sub-groups such as: -Sub-Group 1 (Non-MSP) representing cost report settlements, credit balances, claims	Medicare contractors

	<p>accounts receivable and other accounts receivables.</p> <p>-Sub-Group 2 (MSP) representing group health plan (Data Match/Non-Data Match) liability MSP.</p>	
2951.6	<p>Medicare contractors shall perform the following steps to calculate and validate the allowance for uncollectible accounts for Group 1, Sub-Group 1</p> <p>-Step 1. Calculate the allowance based on historical collection percentage.</p> <p>-Step 2. Individual Account Analyses (cost report settlement activity only)</p> <p>-Step 3. Compute the total delinquencies exceeding 180 days</p> <p>-Step 4. Compare the three estimated amounts calculated in Steps 1, 2 &amp; 3 and identify the amount that ensures that the net receivable is reported at its realizable value.</p> <p>Medicare contractors shall perform the following steps to calculate and validate the allowance for uncollectible accounts for Group 1, Sub-Group 2</p> <p>-Step 1. Calculate the allowance based on historical collection percentage.</p> <p>-Step 2. Compute the total delinquencies exceeding 180 days</p> <p>-Step 3. Compare the two estimated amounts calculated in Steps 1, &amp; 2 and identify the amount that ensures that the net receivable is reported at its realizable value.</p>	Medicare contractors
2951.7	<p>Medicare contractors shall stratified Group 2 into two sub-groups such as:</p> <p>-Sub-Group 1 (Non-MSP) representing claims accounts receivable, credit balances and other accounts receivables.</p> <p>-Sub-Group 2 (MSP) representing group health plan (Data Match/Non-Data Match) liability MSP.</p>	Medicare contractors
2951.8	<p>Medicare contractors shall perform the following steps to calculate and validate the allowance for uncollectible accounts for Group 2, Sub-Group 2</p> <p>-Step 1. Calculate the allowance based on historical collection percentage.</p> <p>-Step 2. Compute the total delinquencies exceeding 180 days</p> <p>-Step 3. Compare the two estimated amounts calculated in Steps 1, &amp; 2 and identify the amount that ensures that the net receivable is reported at its realizable value.</p>	Medicare contractors
2951.9	<p>The contractor shall maintain an audit trail to identify and support actions taken on all (beneficiary and provider/physician/supplier) issued/reissued checks.</p>	Medicare contractors

### 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:**

Additional workload and potential systems changes are associated with the “New Requirements” section above, which describes the requirements of establishing a system of contacting beneficiaries regarding outstanding checks.

Contractor Financial Reporting requirements have not changed, and are itemized in the “Existing Requirements” section above.

**E. Dependencies:** N/A

**F. Testing Considerations:** N/A

### IV. SCHEDULE, CONTACTS, AND FUNDING

<b>Effective Date: January 1, 2004</b> <b>Implementation Date: January 31, 2004</b> <b>Pre-Implementation Contact(s):</b> <b>Maria Montilla (410) 786-7109</b> <b>Post-Implementation Contact(s):</b> <b>Maria Montilla (410) 786-7109</b>	<b>These instructions shall be implemented within your current operating budget</b>
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# Medicare Financial Management Manual

## Chapter 5 - Financial Reporting

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### Table of Contents *(Rev. 28, 12-24-03)*

#### **400.14 - Exhibit 14 - Protocol for Estimating Allowance for Uncollectible Accounts Forms CMS-*H/M*751A/B, Status of Accounts Receivable**

#### **400.14 - Exhibit 14 - Protocol for Estimating Allowance for Uncollectible Accounts Forms CMS-*H/M*751A/B, Status of Accounts Receivable**

*(Rev. 28, 12-24-03)*

#### **A1-1960.14, B1-4960.8**

The Federal Accounting Standards Advisory Board (FASAB) recommends through Statement of Federal Financial Accounting Standard Number 1 (Paragraphs 44&45) that losses on receivables should be recognized when it is more likely than not that the receivables will not be totally collected. The phrase "more likely than not" means more than a 50 percent chance of loss occurrence. An allowance for estimated uncollectible amounts should be recognized to reduce the gross amount of receivables to its net realizable value. The allowance for uncollectible amounts should be re-estimated on each annual financial reporting date (at a minimum) and when information indicates that the latest estimate is no longer correct. These losses should be measured through a systematic methodology. The systematic methodology should be based on analysis of both individual accounts and a group of accounts as a whole.

Accounts that represent significant amounts, i.e., greater than \$1 million, should be individually analyzed to determine the loss allowance. Loss estimation for individual accounts should be based on (a) the debtor's ability to pay, (b) the debtor's payment record and willingness to pay, and (c) the probable recovery of amounts from secondary sources, including liens, garnishments, cross collections and other applicable collection tools.

The entire allowance for losses generally cannot be based solely on the results of individual account analysis. In many cases, information may not be available to make a reliable assessment of losses on an individual account basis or the nature of the receivables may not lend itself to individual account analysis. In these cases, potential losses should be assessed on a group basis.



CMS has implemented FASAB's recommendations and has developed this protocol for Medicare contractors to follow for estimating the allowance for uncollectible accounts. The following section outlines this methodology.

### **Protocol for Estimating Allowance for Uncollectible Accounts**

Medicare contractors must recognize on Line 8, Allowance for Uncollectible Accounts, on Forms CMS-H/M751A/B, an estimated amount for uncollectible debt in order to reduce the gross amount of receivables to its net realizable value. Medicare contractors must re-estimate the allowance for uncollectible amounts on March 31 and September 30 of each FY and when information indicates that the latest estimate is no longer correct.

Medicare contractors must measure potential losses due to uncollectible amounts through a systematic method. This systematic method must be based on an analysis. *The analysis requires that* receivables be further stratified into sub-groups (i.e., Cost Report Settlement Activity, Claims Accounts Receivable, Credit Balances, Group Health Plan (GHP) MSP, Liability MSP and Other Accounts Receivables). The subgroups are somewhat different for Group 1 - *Fiscal* Intermediaries, as compared to Group 2 - Carriers.

#### **Group 1 (Fiscal Intermediaries)**

##### Sub-Group 1

1. Cost Report Settlements Activity (Non MSP)
2. Claims Accounts Receivable, Credit Balances & Other Accounts Receivables (Non-MSP)

##### Sub-Group 2

1. Group Health Plan (Data Match/Non Data Match) MSP
2. Liability MSP

For Group 1, Subgroup 1, *fiscal* intermediaries *must* perform *the following* steps to calculate and validate the allowance for uncollectible accounts.

1. Calculate the allowance based on the historical collection percentage (see detailed instructions below) for Non-MSP as a whole.
2. Individual Account Analyses: For cost report settlement activity only, fiscal intermediaries will identify and total those provider debts that meet certain risk characteristics (i.e., bankruptcy, terminations, poor collection history, no collection activity for 6 months or more). These will be considered risk accounts,

and the fiscal intermediary should total all risk accounts identified through this analysis.

3. *Compute* the total delinquencies exceeding 180 days (Section B of Forms CMS H/M751A/B "Delinquent Receivables").
4. *Compare the three estimated amounts calculated in Steps 1, 2 & 3 and identify the amount that ensures that the net receivable is reported at its realizable value.*

For Group 1, Subgroup 2, the *fiscal* intermediary *must* perform *the following* steps to calculate and validate the allowance for uncollectible accounts.

1. *Calculate* the allowance based on the historical collection percentage (see detailed instructions below) for MSP as a whole.
2. *Compute* the total delinquencies exceeding 180 days (Section B of Forms CMS-H/M751A/B "Delinquent Receivables").
3. *Compare the two estimated amounts calculated in Steps 1 & 2 and identify the amount that ensures that the net receivable is reported at its realizable value.*

### **Historical Collection Percentage Calculation**

A - Determine Total Receivables Eligible for Collection. (Using Forms CMS H/M751A/B)

#### ***Required Formula:***

Beginning Balance	(Line 1)
Plus: New <i>Receivables</i>	(Line 2a)
Plus/Less: Adjusted <i>Amounts</i> (plus if positive number less if negative number)	(Line 5a)
Plus: Transfers In from other Medicare Contractors	(Line 5b)
Plus: Transfers In from other CMS locations, POR & Not POR	(Lines 5d & 5f)
Plus: Transfers In from CNC	<i>(Lines 6b)</i>
<i>Less: Transfers Out to other Medicare Contractors</i>	<i>(Line 5c)</i>
Less: Transfers Out to other CMS locations, POR & Not POR	<i>(Lines 5e &amp; 5g)</i>

*Less: Waivers & Amounts Written Off (Bad Debts) (Lines 5h & 6a)*

*Less: Transfers Out to CNC (Line 6c)*

Equals: Total Receivables Available to be Collected

#### B - Determine Rate of Collections

Line 4a, *Cash/Check* Collections plus Line 4b, Offsets *Collection plus Line 4c, Collections Deposited At Another Location* divided by *Total Receivables Available to be Collected* (number calculated from Step A) multiplied times 100 determines the rate of collections percentage.

#### C - Determine the Allowance Rate

1.00 minus the percentage determined from Step B, equals the allowance rate

D - Average the Percentage Calculated in Step C with a 5-year Historical Allowance Rate (if available, if not available, maintain statistical data to develop historical rate, and proceed to Step E).

#### E - Calculate the Allowance

Multiply the allowance rate from Step C or Step D *by the sum of Line 7, Ending Balance less Line 2b, Accrued Receivables.*

### **Group 2 (Carriers)**

#### Sub-Group 1

1. Claims Accounts Receivable, Credit Balances & Other Accounts Receivables (Non-MSP)

#### Sub-Group 2

1. Group Health Plan (Data Match/Non Data Match) MSP
2. Liability MSP

For Group 2, Subgroup 1, the carrier *must* perform *the following* steps to calculate and validate the allowance for uncollectible accounts.

1. *Calculate* the allowance based on the historical collection percentage (see detailed instructions below) for Non-MSP as a whole.

2. *Compute* the total delinquencies exceeding 180 days (Section B of Forms CMS-H/M751B "Delinquent Receivables").
3. *Compare the two estimated amounts calculated in Steps 1 & 2 and identify the amount that ensures that the net receivable is reported at its realizable value.*

For Group 2, Subgroup 2, the carrier *must* perform *the following* steps to calculate and validate the allowance for uncollectible accounts.

1. *Calculate* the allowance based on the historical collection percentage (see detailed instructions below) for MSP as a whole.
2. *Compute* the total delinquencies exceeding 180 days (Section B of Forms CMS-H/M751B "Delinquent Receivables").
3. *Compare the two estimated amounts calculated in Steps 1 & 2 and identify the amount that ensures that the net receivable is reported at its realizable value.*

### **Historical Collection Percentage Calculation**

A. Determine Total Receivables Eligible for Collection. (Using Forms CMS-*H/M751B*)

#### **Required Formula:**

Beginning Balance	(Line 1)
Plus: New <i>Receivables</i>	(Line 2a)
Plus/Less: Adjusted <i>Amounts</i>	(Line 5a)
(plus if positive number less if negative number)	
Plus: Transfers In from other Medicare Contractors	(Line 5b)
Plus: Transfers In from other CMS locations, POR & Not POR	(Lines 5d & 5f)
Plus: Transfers In from CNC	(Line 6b)
<i>Less: Transfers Out to other Medicare Contractors</i>	<i>(Line 5c)</i>
<i>Less: Transfers Out to other CMS locations POR &amp; Not</i>	<i>(Line 5e &amp; 5g)</i>

*POR*

Less: Waivers & Amounts Written Off (Bad Debts) (Line 5h & 6a)

Less: Transfers Out to CNC (Line 6c)

Equals: Total Receivables Available to be Collected

B. Determine Rate of Collections

Line 4a, *Cash/Check* Collections plus Line 4b, Offsets *Collections plus Line 4c, Collections Deposited At Another Location* divided by Total Receivables Available to be Collected (number calculated from Step A) multiplied times 100 determines the rate of collections percentage.

C. Determine the Allowance Rate.

1.00 minus the percentage determined from Step B, equals the allowance rate

D. Average the percentage calculated in Step C with a 5-year historical allowance rate (if available, if not available, maintain statistical data to develop historical rate, and go proceed to Step E).

E. Calculate the Allowance

Multiply the allowance rate from Step C or Step D (*Group 2, Carriers Section*) by *Line 7, Ending Balance*.

*Medicare contractors are required to compare the results of the estimated allowance based on the protocol and report on Line 8, Allowance for Uncollectible Accounts, **the amount that ensures that the net receivable is reported at its realizable value.** The Medicare contractors are required to maintain supporting documentation, that includes the assumptions used to calculate the allowance amount reported on Forms CMS H/M751A/B. The documentation must be available for review by CMS, OIG, GAO or other parties as required.*

***Note:*** Medicare contractors are required to apply the same method of results of the principal comparison (Col. D, Example 400.14.3) to estimate the **interest** allowance amount (Col. E, Example 400.14.3) to be reported on Line 8, Allowance for Uncollectible Accounts, of the Forms CMS H/M 751A/B. For example, the method of results for the

*Non-MSP principal is delinquencies exceeding 180 days. The amount reported on the allowance matrix for interest (Sub-Group 1, Col. E) must equal the delinquencies exceeding 180 days from the interest column on Form CMS 751. The method of results for the MSP principal is the historical collection percentage. The amount reported on the allowance matrix for interest (Sub-Group 2, Col. E) must equal the **same percentage calculated** for MSP principal, multiplied by Line 7, ending balance from the interest column on Form CMS 751.*

Each Medicare contractor must complete the *Allowance for Uncollectible Accounts Matrix (Attachment I or Attachment II) for the periods ending March 31 and September 30 of each year. The accounts matrix is to be mailed to CMS CO. The March 31 Allowance for Uncollectible Accounts Matrix is due on April 21 and the September 30 Allowance for Uncollectible Accounts matrix is due on October 21. The Medicare contractor must submit a separate Allowance for Uncollectible Accounts Matrix for each Form CMS 751 (i.e. H751A, H751B of A, H751B and H751B-DMERC).*

*Plases submit your matrix(s) via email to [ALLOWMATRIX@cms.hhs.gov](mailto:ALLOWMATRIX@cms.hhs.gov) as well as a hard copy to the following address:*

*Centers for Medicare & Medicaid Services  
Division of Financial Oversight  
Attention: Maria Montilla  
Mail Stop: N3-11-17  
7500 Security Boulevard  
Baltimore, Maryland 21244*

**Status of Accounts Receivable  
Hospital Insurance (HI)  
As of March 31, 2003**

<b>Section A: Outstanding Receivables</b>		<b>H751 Principal</b>	<b>Non-MSP Principal</b>	<b>M751 Principal</b>
1.	Beginning FY Balance	329,345,200	188,945,200	140,400,000
2a.	New Receivables	80,050,600	57,500,600	22,550,000
2b.	Accrued Receivables	40,455,000	40,455,000	0
3.	Interest Earned	-	-	
4a.	Cash/Check Collections	(218,697,200)	(202,697,200)	(16,000,000)
4b.	Offset Collections	(424,000)	(424,000)	0
4c.	Collections Deposited at another Location	(50,000)	(50,000)	0
5a.	Adjusted Amounts		-	
	Internal Adjustments	(4,409,000)	(2,319,000)	(2,090,000)
	Auditor/Consultant Adjustments	(5,617,400)	(5,617,400)	0
5b.	Transfers In from other Medicare Contractors	10,242,000	10,242,000	0
5c.	Transfers Out to other Medicare Contractors	(160,000)	-	(160,000)
5d.	Transfers In from other CMS Locations, POR	304,000	304,000	0
5e.	Transfers Out to other CMS locations, POR	(247,600)	(247,600)	0
5f.	Transfers In from other CMS Locations, Not POR	126,000	126,000	0
5g.	Transfers Out to other CMS Locations, Not POR	(150,000)	(150,000)	0
5h.	Waivers	(292,000)	-	(292,000)
6a.	Amounts Written-off (Bad Debts)	(536,000)	-	(536,000)
6b.	Transfers In from CNC	-	-	0
6c.	Transfers Out to CNC	(106,420,000)	(2,089,600)	(104,330,400)
7.	<b>Ending Balance</b>	<b>123,519,600</b>	<b>83,978,000</b>	<b>39,541,600</b>
	a. Current	92,639,700	62,983,500	29,656,200
	b. Non-current	30,879,900	20,994,500	9,885,400
8.	<b>Allowance for Uncollectible Accounts</b>	<b>(49,745,910)</b>	<b>(29,327,200)</b>	<b>(20,418,710)</b>
9.	<b>Total Receivables Net of Allowance</b>	<b>73,773,690</b>	<b>54,650,800</b>	<b>19,122,890</b>
10.	Cash/Offsets Received for Receivables at Another Location	-		
<b>Section B: Delinquent Receivables</b>		<b>H751 Principal</b>	<b>Non-MSP Principal</b>	<b>M751 Principal</b>
1.	Total Not Delinquent	239,000	186,000	53,000
2.	Total Delinquent	123,280,600	83,792,000	39,488,600
	(a) 1-30 days	6,150,302	4,182,736	1,967,566
	(b) 31-60 days	20,341,299	13,825,680	6,515,619
	(c) 61-90 days	23,976,069	16,346,304	7,629,765
	(d) 91-180 days	29,511,844	20,110,080	9,401,764
	<b>(e) 181-365 days</b>	<b>12,316,710</b>	<b>8,371,915</b>	<b>3,944,795</b>
	<b>(f) 1-2 years</b>	<b>30,797,413</b>	<b>20,940,700</b>	<b>9,856,713</b>
	<b>(g) 2-6 years</b>	<b>86,850</b>	<b>7,285</b>	<b>79,565</b>
	<b>(h) 6-10 years</b>	<b>15,113</b>	<b>3,200</b>	<b>11,913</b>
	<b>(l) over 10 years</b>	<b>85,000</b>	<b>4,100</b>	<b>80,900</b>

Allowance for Uncollectible Accounts

**Historical Collection Percentage Calculation**

	H751A Principal	Non-MSP Principal	M751A Principal
<b>A. Determine Total Receivable Eligible for Collection</b>			
1. Beginning FY Balance	329,345,200	188,945,200	140,400,000
2a. New Receivables	80,050,600	57,500,600	22,550,000
5a. Adjusted Amounts			
Internal Adjustments	(4,409,000)	(2,319,000)	(2,090,000)
Auditor/Consultant Adjustments	(5,617,400)	(5,617,400)	-
5b. Transfers In from other Medicare Contractors	10,242,000	10,242,000	-
5c. Transfers Out to other Medicare Contractors	(160,000)	-	(160,000)
5d. Transfers In from other HCFA Locations, POR	304,000	304,000	-
5e. Transfers Out to other HCFA locations, POR	(247,600)	(247,600)	-
5f. Transfers In from other HCFA Locations, Not POR	126,000	126,000	-
5g. Transfers Out to other HCFA Locations, Not POR	(150,000)	(150,000)	-
5h. Waivers	(292,000)	-	(292,000)
6a. Amounts Written-off (Bad Debts)	(536,000)	-	(536,000)
6b. Transfers In from CNC	-	-	-
6c. Transfers Out to CNC	(106,420,000)	(2,089,600)	(104,330,400)
<b>Total Receivables Available to be Collected</b>	<b>302,235,800</b>	<b>246,694,200</b>	<b>55,541,600</b>
<b>B. Determine Rate of Collections</b>			
4a. Cash/Check Collections	218,697,200	202,697,200	16,000,000
4b. Offset Collections	424,000	424,000	-
4c. Collections Deposited at another Location	50,000	50,000	-
Total Collections	219,171,200	203,171,200	16,000,000
<b>Rate of Collections (Total Collections divided by Adjusted Total Eligible for Collection)</b> [ 203,171,200 / 246,694,200 = .82 or 82%]	<b>N/A</b>	<b>82%</b>	<b>29%</b>
<b>C. Determine Allowance Rate</b>			
<b>1.00 minus (-) the percentage determined for Step B</b> [1.00 - Rate of Collections (1.00 - 0.82 = 0.18 or 18%)]	<b>N/A</b>	<b>18%</b>	<b>71%</b>
<b>D. 5-year Average (if available)</b>			
<b>(.50+.46+.48+.43+ Allowance Rate from Step C)/5 =</b>	<b>N/A</b>	<b>41%</b>	<b>52%</b>
FY 99 = 50%			
FY 00 = 46%			
FY 01 = 48%			
FY 02 = 43%			
FY 3/03 =			
<b>E. Calculate the Allowance</b>			
Multiply the ending balance less PIP accrual (Line 7 - PIP accrual) by the allowance rate (Step C or Step D)			
7. Ending Balance	123,519,600	83,978,000	39,541,600
2b. (Less) Accrued Receivables-(PIP Accrual Only)	(40,455,000)	(40,455,000)	-
Adjusted Ending Balance	83,064,600	43,523,000	39,541,600
<b>Allowance for Uncollectible Accounts</b>	<b>38,232,020</b>	<b>17,813,310</b>	<b>20,418,710</b>





**Status of Accounts Receivable  
Hospital Insurance (HI)  
As of March 31, 2003**

**Systematic Analysis Comparison**

	<b>H751A</b>	<b>Non-MSP</b>	<b>MSP</b>
<b>Historical Collection %</b>	<u>38,232,020</u>	<u>17,813,310</u>	<u>20,418,710</u>
<b>Individual Account Analysis</b>	<u>15,000,800</u>	<u>15,000,800</u>	<u>-</u>
<b>Delinquencies Exceeding 180 days</b>	<u>43,301,086</u>	<u>29,327,200</u>	<u>13,973,886</u>

**400.14 - Exhibit 14 - Protocol for Estimating Allowance for Uncollectible Accounts**

**Attachment I - Fiscal Intermediary**

**Allowance for Uncollectible Accounts Matrix**

<b>Group 1</b>	<b>Col. A</b>	<b>Col. B</b>	<b>Col. C</b>	<b>Col. D</b>	<b>Col. E</b>	
	Historical Collection % Total	Individual Account Analysis Total	Delinquencies Exceeding 180 Days Total	Estimated Allowance for Uncollectible A/R	Estimated Allowance for Uncollectible A/R <b>(Interest Only)</b>	Justification for amount reported on Line 8
<b>Sub-Group 1 (Non-MSP)</b> Cost Report Settlements, Claims A/R, Credit Balance & Other Accounts Receivables	17,813,310	15,000,800	29,327,200	29,327,200	4,768,143	See Attached Workpapers
<b>Sub-Group 2 (MSP)</b> Group Health Plan (Data-Match & Non-Data Match), Liability	20,418,710		13,973,886	20,418,710	3,319,762	See Attached Workpapers <b>(Amount reported on M751A/B)</b>
<b>Total</b>	<u>38,232,020</u>	<u>15,000,800</u>	<u>43,301,086</u>	<u>49,745,910</u>	<u>8,087,905</u>	<b>Amount Reported on H751A</b>

Each Medicare contractor will be required to complete the allowance for uncollectible account matrix on **March 31** and **September 30** of each year. In addition, this matrix is to be mailed to CMS CO. Supporting documentation must include assumptions used to calculate the allowance for uncollectible accounts and should be available for review by CMS, OIG, GAO or other parties as required. The matrix must be submitted to the following address/email (provided above) on **April 21** and **October 21**. If these dates occur on a holiday or weekend, the matrix is due the following Federal workday.

Fiscal Intermediary

**Allowance for Uncollectible Accounts Matrix**

<b>Group 1</b>	<b>Col. A</b>	<b>Col. B</b>	<b>Col. C</b>	<b>Col. D</b>	<b>Col. E</b>	
	Historical Collection % Total	Individual Account Analysis Total	Delinquencies Exceeding 180 Days Total	Estimated Allowance for Uncollectible A/R	Estimated Allowance for Uncollectible A/R (Interest Only)	Justification for amount reported on Line 8
<b>Sub-Group 1 (Non-MSP)</b> Cost Report Settlements, Claims A/R, Credit Balance & Other Accounts Receivables						See Attached Workpapers
<b>Sub-Group 2 (MSP)</b> Group Health Plan (Data-Match & Non-Data Match), Liability						See Attached Workpapers (Amount reported on M751A/B)

**Total** \_\_\_\_\_ **Amount Reported on H751A/B**

Each Medicare contractor will be required to complete the allowance for uncollectible account matrix on **March 31** and **September 30** of each year. In addition, this matrix is to be mailed to CMS CO. Supporting documentation must include assumptions used to calculate the allowance for uncollectible accounts and should be available for review by CMS, OIG, GAO or other parties as required. The matrix must be submitted to the following address/email (provided above) on **April 21** and **October 21**. If these dates occur on a holiday or weekend, the matrix is due the following Federal workday.

Carrier

**Allowance for Uncollectible Accounts Matrix**

<b>Group 2</b>	<b>Col. A</b>	<b>Col. B</b>	<b>Col. C</b>	<b>Col. D</b>	<b>Col. E</b>	
	Historical Collection % Total	Individual Account Analysis Total	Delinquencies Exceeding 180 Days Total	Estimated Allowance for Uncollectible A/R	Estimated Allowance for Uncollectible A/R (Interest Only)	Justification for amount reported on Line 8
<b>Sub-Group 1 (Non-MSP)</b> Claims A/R, Credit Balance & Other Accounts Receivables						See Attached Workpapers
<b>Sub-Group 2 (MSP)</b> Group Health Plan (Data-Match & Non-Data Match), Liability						See Attached Workpapers (Amount reported on M751B)

**Total**



**Amount Reported on H751B**

Each Medicare contractor will be required to complete the allowance for uncollectible account matrix on **March 31** and **September 30** of each year. In addition, this matrix is to be mailed to CMS CO. Supporting documentation must include assumptions used to calculate the allowance for uncollectible accounts and should be available for review by CMS, OIG, GAO or other parties as required. The matrix must be submitted to the following address/email (provided above) on **April 21** and **October 21**. If these dates occur on a holiday or weekend, the matrix is due the following Federal workday.

## Questions/Comments Received for CR 2875

(Responses are in **bold**)

1. Under Step E, of the Group 2 – Carriers section entitled, “Historical Collection Percentage Calculation,” we request clarification for the last sentence in the 3<sup>rd</sup> (“Note”) paragraph. The sentence states “The amount reported on the allowance matrix for interest (Sub-Group 2, Col. E) must equal the **same percentage calculated** for MSP principal, multiplied by Line 7, ending balance from the interest column on Form CMS 751.” Does this suggest that the allowance rate calculated for the principal should be the same allowance rate used to calculate the allowance for uncollectible accounts for interest? Implementing this procedure could potentially understate the allowance for the interest balance as our historical principal collection rate is greater than the interest collection rate (HGS Administrators).

**Yes, the allowance rate calculated for principal should be the same rate used to calculate the allowance for uncollectible accounts for interest. CMS realizes that the principal calculated allowance rate for interest may differ from the interest calculated allowance rate, however the difference is immaterial.**

2. In the “Attachment 1 – Fiscal Intermediary” section, how is CMS arriving at the dollar amount reported for interest? The examples (400.14.1 and 400.14.2) provided only illustrates the calculation(s) for principal. We request that an illustration for the calculation of interest also be provided. (This comment relates to the concerns expressed in #4) (HGS Administrators)

**In “Attachment 1” the amount reported (principal) as the estimated allowance for uncollectible (Column D) equal the amount reported as the delinquencies exceeding 180 days (Column C). Medicare contractors are required to apply the same method of results of the principal comparison (Delinquencies exceeding 180 days) to estimate the interest allowance amount. Therefore, the estimated amount reported for interest equals the interest amounts that exceed 180 days.**

3. In reviewing Attachment II – Carrier – Allowance for Uncollectible Accounts Matrix, we noticed that Columns A & C do not have sub-columns (for principal and interest) (HGS Administrators).

**Columns A & C are not to have sub-columns. Medicare contractor compares the amount reported in Column A (principal) to the amount reported in Column C (principal) and report in Column D (principal) the amount that ensures that the net receivable is reported at its realizable value. The amount reported in Column E (Interest Only) is to be calculated by the same method of results used to identify the amount reported in Column D. For example, if the method of results for the amount reported in Column D is the historical collection percentage, then the Medicare contractor will use the same allowance percentage, multiplied by the interest ending balance to calculate the interest amount to be reported in Column E.**

4. Under the heading “Justification for amount reported on Line 8,” of Attachment II, the justification states “See Attached Work papers.” What are CMS’ expectations for the justification? Are work papers to be submitted with the Matrix? Please clarify (HGS Administrators).

**Medicare contractors are not required to send work papers when they submit the Allowance for Uncollectible Matrix. CMS’ expectations for the justification is that the Medicare contractor provide a brief explanation that supports the amount reported on Line 8, Allowance for Uncollectible Accounts, on Forms CMS-H/M751A/B. Medicare contractors are required to maintain and have available the supporting documentation, that include the assumptions used to calculate the allowance amounts reported on Forms CMS-H/M751A/B.**

5. Does CR 2875 take precedence over the 2003 reporting manual? If yes then lines 6a and 4c will be added to the calculation (Anthem).

**Yes, CR 2875 takes precedence over the instructions in the Medicare Intermediary Manual, Section 1960.14, Exhibit 14 and the Medicare Carrier Manual, Section 4960.8, Exhibit 8. CMS is requesting that the Medicare contractors implement these instructions immediately.**

6. In lieu of applying the principal allowance rate to interest, does CMS require the interest allowance to be calculated separately? If yes, then it is possible that the interest allowance rate will differ significantly from the principal rate (Anthem)?

**No, CMS does not require the Medicare contractor to calculate the interest allowance rate separately. Medicare contractors are required to use the same allowance rate calculated for principal to calculate the estimated interest allowance amount (see explanation #1).**

7. Does CMS require only a matrix for the H751 reports? It is unclear if CMS also will require a matrix on M751 reports as well. If yes, then four additional matrix templates will be needed (Anthem)?

**CMS requires a separate matrix for each Form CMS H/M751A/B. Each matrix requires a comparison of two subgroups. Subgroup 1 is a comparison of the Non-MSP activity and subgroup 2 is a comparison of the MSP activity. The subgroup 2 estimated allowance amount reported in Column D (principal) and Column E (Interest) are the amounts reported on Line 8, Allowance for Uncollectible Accounts, of Form CMS M751A/B. The totals of the estimated allowance amounts for subgroup 1 and subgroup 2 are to be reported on Line 8, Allowance for Uncollectible Accounts, of Form CMS H751A/B.**

8. Regarding the due dates of the March 31 and September 30 matrices, we noted that the March due date coincides with the due date for the submission of the CFO report, but the September due date is a week later than the accelerated reporting timeframe. Is the September 30 matrix due October 14 or October 21 (BCBS Montana)?

**Prior to submitting the CFO reports for September 30, the Medicare contractors must recognize on Line 8, Allowance for Uncollectible Accounts, on Forms CMS-H/M751A/B. Therefore, the Medicare contractors are required to submit the allowance matrix for the quarter ending September 30, 2003, on October 14, 2003.**

9. In the future will CMS reconsider the applicability of individual account analysis for all categories/components? We have used this technique in the past, primarily for our Carrier non-MSP allowance determination, when we have accounts receivable outliers (BCBS Montana).

**CMS requires an individual account analysis only for the cost report settlement activity. The individual dollar amounts associated with the other accounts receivable components (claims A/R, credit balances, etc.) does not justify an individual account analysis. Therefore, CMS does not require an individual account analysis for all receivable components. However, if the Medicare contractor decide to perform an individual account analysis on any other component and the results of the comparison is reported on Line 8, Allowance for Uncollectible Accounts, the Medicare contractor is required to provide an explanation for the assumption used under the heading "Justification for amount reported on Line 8." CMS requires the Medicare contractors to maintain and have available the supporting documentation, that include the assumptions used to calculate the allowance amounts.**

10. The instructions for FI group 1, subgroup 1 state that the individual account analysis are for cost reports only. Does this mean that we should not include any claims receivable for providers having cost report receivable debts included in the individual account analysis (TrailBlazer)?

**No, this does not mean that claims receivables should not be included in the individual account analysis. Medicare contractors should include claims receivables for providers having cost report receivable debts in the individual account analysis. This will allow the Medicare contractor to identify the provider's ability to pay, which is an important factor in estimating the allowance amount.**

11. In the past, consistent with conservatism principles, we have used the highest calculated amount among the 3 methods as the amount reported on our CFO reports. Recognizing that this is an estimate only and that determining net realizable value is a judgment, is this acceptable to CMS (TrailBlazer)?

**CMS requires that the Medicare contractor compare the results of the estimated allowance based on the protocol and report the amount that ensures that the net receivable is reported at its realizable value. If the estimated amount reported on Line 8, Allowance for Uncollectible Accounts is the highest calculated amount and it ensures that the net receivable is reported at its realizable value, then it is acceptable. The Medicare contractors is require to maintain and have available the supporting documentation, that include the assumptions used to calculate the allowance amounts. The documentation must be available for review by CMS, OIG, GAO or other parties as required.**

12. Attachment 1 includes a column labeled "Justification for amount reported on Line 8" and has "See attached Work papers" noted in the fields underneath. Is a contractor's individual account analysis work papers sufficient for this (for FIs). For Part B and MSP related allowances, is CMC expecting contractors to provide any documentation other than their comparisons of allowance calculations using the historical collection percentage method and accounts over 180 days delinquent as justification (TrailBlazer)?

**See respond to question #4 (above).**

13. Could you please clarify what the implementation date is on CR 2875? On the first page of CR 2875, the date is "two weeks after date of issuance" (Empire).

**The implementation date on CR 2875 will be October 1, 2003. Therefore, these changes will be effective for the December 31 submission of the Forms CMS-H/M751A/B due January 21, 2004.**