
CMS Medicare Manual System

Pub. 100-6 Financial Management

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

Transmittal 18

Date: MAY 2, 2003

Change Request 2640

CHAPTERS	REVISED SECTIONS	NEW SECTIONS	DELETED SECTIONS
5 – Table of Contents	400.20		400.19

Red italicized font identifies new material.

NEW/REVISED MATERIAL - EFFECTIVE DATE: October 1, 2003

IMPLEMENTATION DATE: October 1, 2003

Medicare contractors only: These instructions should be implemented within your current operating budget. Include any workload impacts for these instructions in your budget requests for Fiscal Year 2004.

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

Chapter 5 - Table of Contents – The title of Section 400.20 is changing to “Procedures for Reporting Currently Not Collectible (CNC) Debt.”

Section 400.20 - Exhibit 20 – Procedures for Reporting Currently Not Collectible (CNC) Debt

This instruction replaces Section 400.20 - Exhibit 20. This section will now combine the CNC reporting policies for Medicare Secondary Payer (MSP) and Non-MSP. It will revise the standard for reclassifying Non-MSP accounts receivable. Non-MSP accounts receivable will now use the same criteria as MSP accounts receivable, i.e., debts can be reclassified at 180 days delinquent.

These revised instructions:

- (1) Outline criteria for selecting debt to be reclassified as CNC,
- (2) Expand CNC criteria for Non-MSP debt to include debts that were previously exempted from CNC reclassification,

- (3) Modify the approval process for Non-MSP CNC,
- (4) Modify the application of collections for CNC,
- (5) Allow contractors to update Non-MSP CNC approvals in the Provider Overpayment Reporting (POR) and Physician/Supplier Overpayment Reporting (PSOR),
- (6) Expand the information included in recommendations for Non-MSP CNC,
- (7) Amend the Request for Reclassification to CNC Checklist for Non-MSP, and
- (8) Eliminate Medicare contractor's ability to write-off debt under \$600 unless it is in accordance with Title 42 of the Code of Federal Regulations, Section 405.376(e) and has CMS approval.

Medicare Financial Management Manual

Chapter 5 - Financial Reporting

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A1-1960.19, A1-1960.20, B1-4960.12, B1-4960.13

As part of its effort to improve financial reporting, CMS has implemented the category of currently not collectible (CNC) for delinquent debt that is unlikely to be collected within a reasonable time frame. The *CMS'* CNC policy provides that CNC debt will not be recognized as *an active* accounts receivable (A/R) for financial statement reporting purposes because to do so would overstate the true economic value of the assets on the financial statements. While CNC debts are not A/R reported on the financial statements, Medicare contractors must continue appropriate recovery efforts for these debts until they are recommended and approved by CMS for "write-off - closed" *as such, these debts must remain in their internal system for interest accrual and offset.* The CNC process permits and requires the use of tools of the Debt Collection Improvement Act (DCIA) of 1996. *By using these tools delinquent debt will be worked until the end of its statutory collection life cycle.*

Criteria for Selection

All A/R, *whether it is classified as Medicare Secondary Payer (MSP) or Non-MSP*, that are 180 days delinquent must be recommended for CNC reclassification. The A/R must be 180 days delinquent (*i.e., 240 days old if the repayment time frame is 60 days or 210 days old if the repayment time frame is 30 days*) as of the last day of the quarter prior to the quarter in which the CNC recommendation is submitted for RO approval.

All MSP A/R means all *demanded debt*, without regard to whether the debt is Group Health Plan (GHP) based or liability/no-fault/workers' compensation based and without regard to the type of debtor (employer, insurer, beneficiary, provider/supplier, etc.). Where the MSP recovery demand letter stated that the debt was due and payable 30 days from the date of the demand, the debt is delinquent on day 31 if it has not been paid in full or there is no valid documented defense for the unpaid amount. Where the MSP recovery demand letter stated that the debt was due and payable 60 days from the date of the demand, the debt is delinquent on day 61 if it has not been paid in full or there is no valid documented defense for the unpaid amount.

All Non-MSP A/R means all demanded debt without regard to whether the debt is provider/physician/supplier or beneficiary-based. This includes debts that are not normally reported (separately or in summary entries) in the POR/PSOR systems, as long as they meet the CNC criteria. These debts should be listed separately, must be identified as not on the POR/PSOR, and the type of debt must be listed on the CNC request form in the comments section. Debts that are excluded from this definition are as follows:

- *Debts with a principal balance of less than \$25. Although these debts may satisfy the CNC criteria, Medicare contractors should recommend the termination of collection*

activity and request approval by the Regional Office (RO) to write this debt off as "write-off closed" in accordance with Title 42 of the Code of Federal Regulations, Section 405.376(e)(3), since the cost of further collection action is likely to exceed any recovery.

- *Debts with a collection within the last 180 days. Hence, the debt must be 180 days delinquent without any collection/recoupment activity within the last 180 day time period for CNC reclassification.*

Additionally, all accounts receivable *that meet the CNC criteria* will be reclassified as CNC without regard to whether or not the debt is in bankruptcy, under fraud and abuse investigation, has an appeal pending at any level, is in litigation/negotiation, *or is for a deceased debtor. However*, if a Medicare contractor believes that a particular A/R meets the criteria for both "write-off - closed" and CNC, the A/R should be recommended for "write-off - closed." Medicare contractors may not recommend CNC for less than the full amount of an outstanding debt.

NOTE: For GHP-based MSP A/R where the demand was issued to the employer, insurer, or third party administrator, GHP, or other plan sponsor, the debt includes all of the claims in a demand to a debtor for a particular beneficiary. For GHP Data Match (DM) recoveries, this would be all of the claims associated with a particular Mistaken Payment and Recovery Tracking System (MPaRTS) Report ID although a single cover letter might have been issued for multiple beneficiaries' Medicare reimbursed claims. For duplicate primary payment recovery demands to a provider/supplier (including physician), the debt includes all claims in the recovery demand regardless of the number of beneficiaries involved. For liability, no-fault, or workers' compensation, the debt includes all claims in the recovery demand.

A debt's eligibility for DCIA referral to a Department of the Treasury designated Debt Collection Center (*DCC*) for further collection efforts, including the Treasury Offset Program (TOP) has no bearing on or relationship to whether or not the debt should be reclassified as CNC. *As such, debts referred to the DCC should also be recommended for CNC reclassification as long as it meets the CNC criteria.*

The Department of the Treasury and the Office of Management and Budget require that Agencies submit reports to them on financial management and performance data so that debt collection programs and policies can be evaluated. Thus, CMS is requiring its Medicare contractors to report and monitor CNC debt on a quarterly basis.

Quarterly Review of Debt for CNC Reclassification & Approval

Medicare contractors must continuously review all debt and quarterly request approval to reclassify debts as CNC. Recommendations for the approval of *MSP and Non-MSP* CNC should be sent to your RO MSP Coordinator *or the RO Debt Collection staff respectively.* These reports should be sent by hard copy *accompanied with a disk* no later than the first day of the second month of each quarter (*i.e.*, November 1, February 1, May

1, and August 1). The CFO of Medicare Operations must sign the hard copy and include a preprinted address label with the hard copy for the return of the approved CNC recommendations. *Medicare contractors are required to submit negative reports if there are no debts eligible for CNC for a particular quarter.*

ROs are responsible for approval or denial of all recommendations for CNC based upon the criteria set forth in these instructions. RO approval will be by the Assistant Regional Administrator (ARA) for Financial Management. ROs will complete their review of the Medicare contractors' recommended CNC and return their approval or denial of such reclassifications by the first *day* of the last month of each quarter (*i.e.*, December 1, March 1, June 1, and September 1). ROs may return a *hard copy via fax or a soft copy via disk* annotated to show approval or denial by the RO ARA for Financial Management, in order to meet the required time frame for approval, but this must be followed by a hard copy that was signed and dated by the ARA for Financial Management. ROs will also send copies of the signed RO approval or denial letter only, each quarter to CMS CO to the attention of the *Director, Division of Financial Oversight*, Office of Financial Management (for both MSP and Non-MSP approvals). *The ROs must maintain the detailed reports that support the amounts approved/disapproved.*

The CNC action should not be taken nor should any changes be made to the A/R on any *internal* systems (Medicare contractor systems or other systems which Medicare contractors have responsibility for updating) for CNC until the recommendation for CNC has been processed by CMS, approved in writing, and returned to the Medicare contractor. The listing of approved CNC will be returned to the contractors by the ROs. Receipt of this approval authorizes the Medicare contractor to reclassify the A/R, and update the A/R and associated case in all appropriate systems. When the A/R is reclassified as CNC, the associated case file must be annotated to show that a particular A/R was reclassified as CNC and the date/quarter of the action. Reclassification as CNC **does not** close the associated case.

If a full or partial collection for the A/R is received between request and approval of CNC reclassification, then the collection should be applied. The contractor must make the necessary adjustment to the debt to reflect the payment and place the remaining amount, if any, in CNC when the RO approval is received. However, when the approval is received, the contractor must then notify the RO of the change in the amount originally approved for CNC as well as the reason why. If the contractor has this issue with multiple debts recommended for CNC, they need to furnish this information to the RO on a debt specific basis, not just on an aggregated basis. This must be communicated to the RO contact in writing. In addition, this documentation should be maintained for audit/review purposes.

NOTE: MPaRTS does not need to be updated for Data Match debt when the MSP A/R is reclassified as CNC.

The CMS approval of A/R reclassified as CNC must be retained and available upon request (from the Office of the Inspector General or any other internal or external review

organization) in accordance with retention procedures in the Medicare Intermediary and Carrier Manuals. This CMS approval must also be annotated by the Medicare contractor to indicate the date/quarter when the A/R was reclassified.

Data Requirements and Format for Recommendations for MSP CNC

MSP A/R recommended for CNC requires the submission of the following information to the Medicare contractor's RO MSP coordinator: (see *Attachment I* for the recommended format)

- Medicare Contractor Name and Number
- Medicare Contractor Mailing Address
- Medicare Contractor Contact Person/Phone/Fax/E-mail
- Type of MSP Debt [GHP or non-GHP (this includes liability, no-fault, and workers' compensation)]
- Beneficiary Health Insurance Claim Number (HICN)
- Beneficiary Name
- Name of Debtor or Insurer for **GHP-based debts** where the current debtor is the insurer/employer/third party administrator/GHP/other plan sponsor
- Type of Debtor [A=insurer/employer/third party administrator/GHP/other plan sponsor; B=provider/supplier (including physicians); C=beneficiary, D=other (must specify)]
- Date of Initial Recovery Demand Letter to current debtor
- *Delinquency Date*
- Original A/R Amount for the current debtor
- Existing A/R Amount (principal and interest listed separately, as well as a total amount for principal plus interest; HI/SMI must also be listed and reported separately)
- Date of Last Payment, Collection, Recoupment, Offset, or Adjustment Activity (provide date or "none")
- Tax Identification Number (TIN) for debtor. The TIN is the Employer Identification Number (EIN) or Social Security Number (SSN)
- *DCS Status Code (if applicable).*

NOTE: The debtor is the individual or entity to whom the last recovery demand was issued. Where the demand was issued to an individual in their capacity as legal counsel or representative of any type, the debtor is the beneficiary, provider/supplier (including physician), or other individual or entity being represented. Where recovery is being pursued from the attorney or other representative in their own right, the debtor is the attorney or other representative.

The above listed data elements are mandatory for CNC for all MSP A/R established October 1, 2000 or later. It is also mandatory for all MSP A/R with a recovery demand date of October 1, 2000, or later, regardless of when the MSP A/R was established. For CNC recommendations for MSP A/R established prior to October 1, 2000, Medicare contractors may submit recommendations without the following data elements if the CNC recommendation certifies that these data elements are not readily available: Beneficiary name and HIC number where the beneficiary is not the debtor; Insurer name where the insurer is not the debtor; and Type of debtor.

If a Medicare contractor has bulk MSP A/R on the GTE system for older Data Match and non-Data Match GHP debt, the contractor - for these MSP A/R only - must: 1) Identify the A/R as a bulk receivable on the GTE system, 2) Identify the insurer, 3) Identify the date of the demand, and 4) Identify the associated dollar amounts for principal and interest. Any contractor who created bulk receivables for GHP-based MSP debt using any system other than GTE must contact their RO for assistance. The RO will, in turn, discuss the issue with CO.

Data Requirements and Format for Recommendations for Non-MSP CNC

Non-MSP A/R recommended for CNC require the submission of the following information to the Medicare contractor's RO Debt Collection contact: (see Attachments II & III for the recommended format)

- *Medicare Contractor Name and Number*
- *Medicare Contractor Mailing Address*
- *Medicare Contractor Contact Person/Phone/Fax*
- *Provider/Physician/Supplier/Beneficiary Name and Number (if applicable)*
- *Claim Number (PSOR)*
- *Claim Paid Date (PSOR) or Cost Report Date (POR)*
- *Overpayment Determination Date*
- *POR/PSOR Status Code*

- *Overpayment Type*
- *Original Amount of Debt*
- *Balance Outstanding (principal and accrued interest listed separately)*
- *Date Interest Accrued Through*
- *Date of Last Payment, Offset or Recoupment*
- *POR/PSOR Balance (principal and interest listed separately for POR; for PSOR, principal balance only) - For Part A, indicate POR balance if Contractor submits request for Part B of A separately*
- *POR/PSOR Location Code*
- *DCS Status Code (if applicable)*
- *For FIs Only – Part B of A debt can be submitted on the same listing (principal and interest)*

Each listing must contain a written certification that all of the required criteria for CNC are met. The CFO of Medicare Operations must sign CNC recommendations. The CFO's signature constitutes his/her certification to all information/statements contained in the recommendation.

Financial Reporting and Reconciliation of CNC Debts

Debts that have received approval for CNC reclassification must be reported in the following manner:

- *On Form CMS-751A/B or CMS-M751A/B the amount reclassified as CNC, including principal and interest, will be recorded on Line 6c, Transfers Out to CNC with a corresponding entry on Line 2, New CNC Debt on Form CMS-C751A/B or CMS-MC751A/B. This will reduce the ending balance reflected on the applicable form.*
- *Debts that are reclassified as CNC may still be collected. If a collection occurs, the following actions should take place: (1) On Form CMS-C751A/B or CMS-MC751A/B an adjustment for the amount of the collection should be recorded on Line 4a, Reclassified as Active A/R Due to Collection of Cash or Line 4b, Reclassified as Active A/R Due to Collection by Offset; (2) The amount of the collection should also be included in Section C – Collection Information of Form CMS-C751A/B or CMS-MC751A/B; and (3) The amount of the collection should be simultaneously recorded on Line 6b, Transfers in from CNC and Line 4a, Cash/Check Collections or Line 4b, Offset Collections of Form CMS-751A/B or CMS-M751A/B. As such, if a collection*

takes place, only the collection would be reclassified with the collection being applied against interest first, then principal. If the collection does not satisfy the entire debt, the remaining balance of that debt would remain in CNC.

Medicare contractors must continue to accrue interest for debt that has been reclassified as CNC. Additionally, CMS recognizes that for those systems where interest is updated automatically, the interest submitted with a recommendation for CNC may differ from the interest shown in the Medicare contractor’s system at the time the Medicare contractor receives approval for CNC. The CMS approval of the principal and interest recommended for CNC is sufficient support for the subsequent reclassification, including any increase in the interest, as long as the principal remains the same. Any additional interest that accrues prior to CNC reclassification would be reported on Form CMS-751A/B or CMS-M751A/B on Line 3, Interest Earned. Then the debt would be reclassified to the appropriate form.

Medicare contractor systems must be able to maintain transaction level detail of debt that has been reclassified as CNC to enable future collection activities and to maintain a proper audit trail.

Regional Offices will ensure that amounts approved as CNC are properly reported on contractor Forms CMS-751A/B or CMS-M751A/B and CMS-C751A/B or CMS-MC751A/B.

Systems Update – Non-MSP Only

Medicare Contractor Internal Systems and POR/PSOR System:

Contractors are responsible for the timely update of CNC status in the POR/ PSOR systems and internal systems. A CNC date field has been added in the POR/PSOR and additional status codes have been developed. The date of CNC approval (i.e., the date of the cover letter signed by the ARA) must be entered in the CNC date field. The update must be performed within ten calendar days of receiving the CNC approval. Do not change the location code of the debt. Regional Offices will monitor the POR/PSOR systems to ensure contractor compliance.

Additional Status Codes for POR/PSOR:

<i>POR Codes</i>	<i>PSOR Codes</i>	<i>Code Description</i>
<i>01</i>	<i>1</i>	<i>CNC</i>
<i>02</i>	<i>2</i>	<i>Write-off Closed (disabled effective 2/6/02)</i>
<i>03</i>	<i>3</i>	<i>CNC – DCIA Letter Sent</i>
<i>04</i>	<i>4</i>	<i>Reactivate – Bankruptcy (will no longer be used)</i>
<i>05</i>	<i>5</i>	<i>Reactivate – Payment Received</i>
<i>06</i>	<i>6</i>	<i>Reactivate – Appeal/Litigation/Fraud & Abuse Investigation (will no longer be used)</i>

07	7	Reactivate – Compromise
08	8	Reactivate – Extended Repayment Agreement
09	9	CNC Debt – Written-off Closed
00	0	Reactivate - Other

NOTE: For debts that are at the DCC location and reclassified to CNC, the “3” (POR) or “03” (PSOR) status code would be used. Furthermore, the “9” must be accompanied by a valid closed date. Cases with a status code of “09” (POR) or “9” (PSOR) and a valid closed date will be rolled to the history file at the end of the quarter. In addition to updating the POR/PSOR with the appropriate status codes for the reactivation, the CNC date previously inputted should be removed. Updating the CNC Date field in the PSOR requires the user to enter zeroes in the CNC Date field and pressing the enter key.

Debt Collection System (DCS)

The CMS’ CO Division of Financial Reporting and Debt Referral staff will continue to update the Debt Collection System (DCS) with approved CNC status for debts that have been referred for Cross Servicing/TOP.

Additional Considerations for MSP A/R

These instructions only apply to established MSP A/R. They may **not** be used to close MSP liability/no-fault/workers' compensation leads where no settlement, judgment or award exists and no recovery demand has been issued.

Some Medicare contractors may still have old MSP-based provider/supplier (including physician) debt or MSP-based beneficiary debt which has not been reported on their Form CMS-M751A/B and which has been referred to the RO under non-MSP rules or otherwise treated as a non-MSP receivable. Old MSP-based debt that has been treated as non-MSP debt (that is tracked and processed under non-MSP rules) should be treated as non-MSP debt for CNC purposes as well.

Medicare contractors may only recommend CNC for a MSP A/R that is being reported as part of their ending MSP A/R balance. MSP A/R that have been **transferred** to the ROs for referral to other agencies or entities such as, the Department of Justice or Office of General Counsel will be addressed by the ROs. CO will address MSP A/R with CO locations. MSP A/R that have been **referred** to another location, without transfer, remain the responsibility of the Medicare contractor.

Previously some Medicare contractors processed/tracked MSP-based provider/supplier (including physician) A/R and/or MSP-based beneficiary A/R as non-MSP A/R and did not include such A/R on their Form CMS-M751A/B report. Medicare contractors may no longer do this for new MSP A/R. Any pre-existing MSP-based provider/supplier (including physician) A/R and/or MSP-based beneficiary A/R that are not reflected in the Medicare contractor's Form CMS-M751A/B report may not be recommended for MSP

CNC. Pre-existing MSP-based provider/supplier (including physician) A/R and/or MSP-based beneficiary A/R that have been tracked/processed, or otherwise treated as non-MSP debt should follow the rules for non-MSP CNC.

**400.20 - Exhibit 20 - Procedures for Reporting Currently Not Collectible (CNC) Debt
(Rev. 18, 05-02-03)**

Exhibit 20 - Attachment I

MSP Accounts Receivable Contractor Recommendation for Reclassification as CNC

Medicare Contractor Name and Number:

Medicare Contractor Mailing Address:

Medicare Contractor Contact Person/Phone/Fax/E-mail Address:

**Part A-HI, or Part B-SMI - as applicable (show which)
Intermediaries report Part A and/or Part B
Carriers report Part B only**

Type of MSP Debt	Bene. HICN	Bene. Name	Debtor/ <i>Insurer</i> Name	Debtor Type	Date of Initial Demand	<i>Delinquency Date</i>	Original AR Amount	Current Principal Balance (HI)	Current Interest Balance (HI)	Current Principal Balance (SMI)	Current Interest Balance (SMI)	Total Principal and Interest	Date of Last Payment, Offset, Recoup., Or Adjustment	TIN of Current Debtor	<i>DCS Status Code (if applicable)</i>

(Provide totals for each column if applicable)

CFO of Medicare Operations:(signature required)

(Signature constitutes certification that all CMS specified criteria for CNC reclassification are met.)

Associate Regional Administrator/Division of Financial Management: (signature required) ___Concur ___No Concur

Date of Referral to RO: _____

Date of RO decision: _____

Date/quarter when approved MSP A/R were reclassified as CNC: _____

Attachment II - Intermediary Part A (Hospital Insurance)

Non-MSP Accounts Receivable Contractor Recommendation for Reclassification as CNC

Medicare Contractor Name and Number:

Medicare Contractor Mailing Address:

Medicare Contractor Contact Person/Phone/Fax:

Part A - HI

<i>Provider/ Bene Name</i>	<i>Provider/ Bene HIC Number</i>	<i>Cost Reporting Period</i>	<i>O/P Determination Date</i>	<i>POR Status Code</i>	<i>O/P Type</i>	<i>Original Amount of Debt</i>	<i>Out- standing Principal Balance</i>	<i>Out- standing Interest Balance</i>	<i>Interest Accrued Through Date</i>	<i>Date of Last Payment, Offset, or Recoup- ment</i>	<i>POR Principal Balance</i>	<i>POR Interest Balance</i>	<i>POR Location Code</i>	<i>DCS Status Code (if applicable)</i>	<i>Comments</i>

(Provide totals for each column if applicable)

Chief Financial Officer of Medicare Operations: *(signature required)*

(Signature constitutes certification that all CMS specified criteria for CNC reclassification are met.)

Associate Regional Administrator/Division of Financial Management: *(signature required)* ___ Concur ___ No Concur

Date of Referral to RO: _____

Date of RO decision: _____

Date/quarter when approved MSP A/R were reclassified as CNC: _____

Attachment III - Carrier Part B (Supplementary Medical Insurance)

Non-MSP Accounts Receivable Contractor Recommendation for Reclassification as CNC

Medicare Contractor Name and Number:

Medicare Contractor Mailing Address:

Medicare Contractor Contact Person/Phone/Fax:

Part B - SMI

Physician/ Supplier/ Bene Name	Physician/ Supplier/ Bene Number	Claim Number	Claim Paid Date	O/P Determination Date	PSOR Status Code	Original Amount of Debt	Out- standing Principal Balance	Out- standing Interest Balance	Interest Accrued Through Date	Date of Last Payment, Offset, or Recoup- ment	PSOR Principal Balance	PSOR Interest Balance	PSOR Location Code	DCS Status Code (if applicable)	Comments

(Provide totals for each column if applicable)

Chief Financial Officer of Medicare Operations: (signature required)

(Signature constitutes certification that all CMS specified criteria for CNC reclassification are met.)

Associate Regional Administrator/Division of Financial Management: (signature required) ___ Concur ___ No Concur

Date of Referral to RO: _____

Date of RO decision: _____

Date/quarter when approved Non-MSP A/R were reclassified as CNC: _____

