Program Memorandum Intermediaries

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

Transmittal A-02-081 **Date: AUGUST 28, 2002**

CHANGE REQUEST 2300

SUBJECT: Modification of Audit and Cost Report Settlement Expectations in Change Request (CR) 1468

Purpose

This Program Memorandum (PM) modifies the policies in Transmittal A-01-141 dated December 14, 2001, pertaining to PS&R Data Reports, Cost Report Submission, and Audit Scoping sections.

PS&R Data Reports

The first sentence under this section of PM A-01-141 states that the Provider Reimbursement Manual, Part 2, directs providers to use the information contained in the provider statistical and reimbursement (PS&R) report to prepare their Medicare cost report. This instruction is being modified to remove any inference that the provider must use only the PS&R to prepare a cost report. Providers may report settlement data in a cost report according to the options detailed in Form CMS-339 (i.e., use the PS&R only, use the PS&R for totals and the provider records for allocation, or use the provider records only).

This modification also applies to the first sentence under Cost Report Submission in the FACT SHEET attached to PM A-01-141.

Cost Report Submission

The first full paragraph and the bolded sentence on page 3 of PM A-01-141 specify that if items 1-7 enumerated on that page are not received within prescribed timeframes (e.g., 15 days after date of request) the cost report should be rejected. This directive is being modified to instruct you to request any "significant" missing information detailed in items 1-7 before completing the tentative settlement. However, you are not to reject the cost report if the information is not received but instead adjust the tentative settlement if you deem appropriate. This means that you have 30 days from the receipt of the cost report to determine whether items 1-9 and 1-3 listed on page 2, and at the top of page 3 of Transmittal A-01-141 were submitted, and accept or reject the cost report accordingly. Since the provider's failure to submit any of the documentation related to items 1-7 does not render the cost report unacceptable, accept the cost report even if some significant documentation related to those items is missing. However, if you decide to request any of the significant missing documentation, you must do so in a way that will allow you to give the provider at least 15 days to submit it, and still be able to complete the tentative settlement within the prescribed time after receipt of an acceptable cost report.

This modification also applies to the last paragraph under Medicare cost report submission requirements in the FACT SHEET attached to PM A-01-141.

Audit Scoping

The last sentence of the third paragraph under this section of PM A-01-141 states that when doing a focused review you are to perform only those desk review procedures which are listed in the Intermediary Manual, Part 4, §4104.2.B that apply to the issues to be focus reviewed. This instruction is being clarified to advise you that when doing a focused review you are not to perform any desk review steps contained in either the Full Professional Desk Review or the Limited Desk Review that relate to the issues that you chose to focus on. Rather, you are to perform only those steps that are listed in §4104.2.B.2 (contained in the 1999 Uniform Desk Review Program).

The effective date for this PM is August 28, 2002.

The implementation date for this PM is October 1, 2002.

These instructions should be implemented within your current operating budget.

This PM may be discarded after September 30, 2003.

If you have any questions, contact Christina Dobrzycki at (410) 786-3389.