
Program Memorandum Intermediaries/Carriers

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

Transmittal AB-02-008

Date: JANUARY 31, 2002

This Program Memorandum re-issues Program Memorandum AB-01-21, Change Request 1330 dated February 1, 2001. The only change is the discard date; all other material remains the same.

CHANGE REQUEST 1330

SUBJECT: Form CMS-1522, Monthly Contractor Financial Report, Reconciliation

As part of our continuous efforts to improve financial reporting, we are re-issuing a policy to reconcile Form CMS-1522, Monthly Contractor Financial Report, to the corresponding monthly claims paid tapes or summary information. The CMS continues to have a material internal control weakness related to its Chief Financial Officers Audit. Therefore, Medicare contractors must perform this reconciliation in accordance with this policy.

Form CMS-1522 is a cash-based document and is prepared primarily from the check register and other miscellaneous reports. The CMS requires that Form CMS-1522 be reconciled each month to adjudicated claims processed and other adjustments. Since there are different claims processing systems and different accounting systems used by Medicare contractors, CMS does not have a standard reconciliation format that can be provided to Medicare contractors. Medicare contractors should have developed and documented standard procedures for their Form CMS-1522 reconciliation process.

Medicare contractors are required to provide CMS by the 15th of each month a reconciliation of the Total Funds Expended as reported on the prior month's Form CMS-1522 to the following financial activities: adjudicated claims processed, other non-claims based payments, overpayment recoveries, and other adjustments as necessary. All Medicare contractors must establish documented standard processes to generate and retain the claims paid tape including the corresponding monthly system reports, and supporting documentation for the preparation and reconciliation of the monthly reports. The number and the title of the system reports or other reports used in the reconciliation must be identified. In addition, it is essential that these system reports be reconciled to the claims paid tape each month. If the claims processing systems can not produce the claims paid tape, Medicare contractors may reconcile to summary information until systems changes are accomplished. Changes needed to the Medicare contractor claims processing systems must be identified and requested.

Medicare contractors are reminded to ensure that a proper cut-off is established as part of the reconciliation process. Although many contractors require processing time, Form CMS-1522 reconciliation must include **all** the claims/benefit payments processed and issued in the month being reconciled. For example, we have found that many contractors have benefit payment cut-off dates (the date a Medicare contractor will send claims or other Medicare payment data from the claims system to the financial system to have the payments processed, but not necessarily issued) that deviate by 1 or 2 calendar days from the actual month end date. This is problematic because, benefit payments (checks or electronic funds transfers payable to Medicare providers, physician/suppliers, and/or beneficiaries) dated on the 1st and/or 2nd of the month may be cleared from the payment floor on or before the last day (30th and/or 31st) of the previous month, even though, the payment may not be issued. If a benefit payment (check or electronic funds transfer) has been processed, and will not be issued or effective until the next month, this payment should not be included on the paid claims tape, nor reported as a benefit payment or an outstanding check on Form CMS-1522. The auditors have reported instances in which benefit payments attributable to the subsequent month were incorrectly included on the previous month's claims paid tapes and/or Form CMS-1522.

CMS-Pub. 60AB

The CMS has provided under separate cover examples of the proposed reconciliations for the standard claims processing systems.

Submit monthly reconciliations to:

Electronically to: 1522RECON@CMS.GOV

Or by mail to:

Health Care Financing Administration
Division of Accounting
Financial Reporting and Oversight Branch
Attn: Mary Carole Anske
Mail Stop N3-11-17
7500 Security Blvd.
Baltimore, Maryland 21244-1850

Telephone number: (410) 786-5415
Fax number: (410) 786-3027

The *effective date* for this Program Memorandum (PM) is November 1, 2000.

The *implementation date* for the revisions in this PM is February 1, 2001 for non-systems changes. A separate PM will be issued indicating implementation of systems changes.

These instructions should be implemented within your current operating budget.

| This PM may be discarded after February 1, 2003.

If you have any questions, contact Mary Carole Anske on (410) 786-5415.