Program Memorandum Intermediaries

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

Transmittal A-01-90 **Date: JULY 31, 2001**

CHANGE REQUEST 1786

SUBJECT: Home Health Agency (HHA) Prospective Payment System (PPS) Correction in Financial Reporting for Trust Funds.

The Fiscal Intermediary Standard System (FISS) maintainer recently corrected a deficiency in the reporting of HHA net reimbursement in the Provider Payment Recap section of Standard Paper Remittance Advice (SPR). Due to FISS limitations, the amount reported in the net reimbursement field for HHA PPS was limited to the Part A subtotal, rather than the net of the Parts A and B payment subtotals.

Financial Reporting Modifications

From the financial reporting perspective, the FISS limitation can lead to inappropriate withholdings against settlement receivables and result in the inflation of claim accounts receivable.

Due to the separate reporting of the Part A (HI) and Part B (SMI) trust funds, inappropriate account receivables are established based on negative adjustments by trust fund in FISS. An account receivable should only be established when a Request for Anticipated Payment (RAP) is completely cancelled or when the net of a remittance cycle results in a negative dollar amount. Do not count a reversal of a RAP (i.e., when an adjustment is made to the original RAP payment) as an accounts receivable.

Please refer to the examples below for proper financial reporting treatment:

A)	HI	SMI	
RAP Payment	$2,000		1st Processing Cycle
Final Bill		$2,600	2nd Processing Cycle
Automated Transaction	$(2,000)		
Net Disbursement for Processing cycle #2		$600	

In example A) the financial reporting for processing cycle #1 should be a disbursement/decrease of cash for the RAP payment and a corresponding increase of operating expense of $2,000 to HI trust fund on the Contractor Financial Report (Form HCFA-750 report). Additionally, this would be an increase of funds expended for HI on the Monthly Contractor Financial Report (Form HCFA-1522 report). The financial reporting effect on the Form HCFA-750 for processing cycle #2 should be a decrease in operating expense of $2,000 to HI and an increase in operating expense of $2,600 to SMI as a result of processing the final bill. The calculated disbursement of $600 to the provider may or may not be actually disbursed dependent upon other outstanding accounts receivable to be satisfied based on the existing hierarchy of withholdings. There should not be an accounts receivable reported because the net between Part A (HI) and Part B (SMI) is a positive $600 disbursement. Hence, there would be no effect on the Form HCFA–751 report unless the $600 is applied to another account receivable. If the $600 were applied to another account receivable, then it would be reported on Line 4b – Offset Collections, of the Contractor Financial Report (Form HCFA-751 report). Currently, the systems incorrectly establish a $2,000 claims accounts receivable. If the $600 were disbursed to the provider, then the disbursement would be a decrease to cash and an increase to operating expenses reported on the Form HCFA-750 report. The $600 disbursement would also be an increase to funds expended on the Form HCFA-1522 report.

B)

	HI	SMI	
RAP Payment	$2,600		1st Processing Cycle
Final Bill		$2,000	2nd Processing Cycle
Automated Transaction	$(2600)		
Net Disbursement for Processing cycle #2		$(600)	

In example B) the financial reporting for processing cycle #1 should be a disbursement/decrease of cash for the RAP payment and a corresponding increase of operating expense of $2,600 to HI trust fund on the Form HCFA-750 report. Additionally, this would be an increase of funds expended for HI on the Form HCFA-1522 report. The financial reporting effect on the Form HCFA-750 for processing cycle #2 should be a decrease in operating expense of $2,600 to HI and an increase in operating expense of $2,000 to SMI as a result of processing the final bill. An account receivable of $600 should be established for the provider in the HI trust fund. The account receivable should be established on Line 2a – New Receivables – of the Form HCFA-751 report. The collection of the account receivable should be shown on the Line 4a – Cash/Check Collections or Line 4b – Offset Collections of the Form HCFA-751 report. The RAP will show a net due from the provider of $600.

C)

	HI	SMI	
RAP Payment	$2,600		1st Processing Cycle
Final Bill		$2,000	2nd Processing Cycle
Automated Transaction	$(2600)		
Next RAP Payment	$1,800		
Net Disbursement for Processing cycle #2		$1,200	

In example C) the financial reporting for processing cycle #1 should be a disbursement/decrease of cash for the RAP payment and a corresponding increase of operating expense of $2,600 to HI trust fund on the Form HCFA-750 report. Additionally, this would be an increase of funds expended for HI on the Form HCFA-1522 report. The financial reporting effect on the Form HCFA-750 for processing cycle #2 should be a decrease in operating expense of $2,600 to HI and an increase in operating expense of $2,000 to SMI as a result of processing the final bill. This cycle also processes a new RAP payment for an $1,800 expense to HI which would result in a decrease in cash for the RAP payment and a corresponding increase of operating expense of $1,800 to the HI trust fund on the Form HCFA-750 report. Additionally, this would be an increase of funds expended for HI on the Form HCFA-1522 report.

The resulting negative $800 in HI, must be netted against the positive $2,000 expense in SMI for a result of $1,200 due to the provider. The calculated disbursement of $1,200 to the provider may or may not be actually disbursed dependent upon other outstanding accounts receivable to be satisfied based on the existing hierarchy of withholdings. The remittance advice will show a net disbursement to the provider of $1,200. Hence, there would be no effect on the Form HCFA-751 report unless the $1,200 is applied to another account receivable. If the $1,200 were applied to another account receivable, then the collection would be reported on Line 4b – Offset Collections, of the Form HCFA-751 report. If the $1,200 were disbursed to the provider, then the disbursement would be a decrease to cash and an increase to operating expenses reported on the Form HCFA-750 report. The $1,200 disbursement would also be an increase to funds expended on the Form HCFA-1522 report.

D)	HI	SMI	
RAP Payment	$2,000		1st Processing Cycle
No - Final Bill			2nd Processing Cycle
Cancellation of RAP	$(2,000)		
Next RAP PMT	$2,200		
Disbursement	$200		

In example D) the financial reporting for processing cycle #1 should be a disbursement/decrease of cash for the RAP payment and a corresponding increase of operating expense of $2,000 to HI trust fund on the Form HCFA-750 report. Additionally, this would be an increase of funds expended for HI on the Form HCFA-1522 report. The financial reporting affect on the Form HCFA-750 for processing cycle #2 should be a decrease in operating expense of $2,000 to HI and the establishment of an account receivable of $2,000 due to the cancellation of the RAP. An account receivable will always be established when a RAP is cancelled. The account receivable would be established on Line 2a – New Receivables- of the Form HCFA-751 report. The subsequent collection of this account receivable would be shown on the appropriate Line 4a – Cash/Check Collections or Line 4b – Offset Collections, of the Form HCFA-751 report. This cycle also processes a new RAP payment for an $2,200 expense to HI. The resulting positive disbursement of $200 in HI due to the provider may or may not be actually disbursed dependent upon other outstanding accounts receivable to be satisfied based on the existing hierarchy of withholdings. The remittance advice will show a net disbursement to the provider of $200. If the $200 were disbursed to the provider, then the disbursement would be a decrease to cash and an increase to operating expenses reported on the Form HCFA-750 report. The $200 would also be an increase to funds expended on the Form HCFA-1522 report.

The *effective date* for this Program Memorandum (PM) is January 1, 2002.

The *implementation date* for this PM is January 1, 2002.

These instructions should be implemented within your current operating budget.

This PM may be discarded after January 1, 2003.

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