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# Program Memorandum Intermediaries/Carriers

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

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## CHANGE REQUEST 1364

**SUBJECT: Procedures for Re-issuance and Stale Dating of Medicare Checks**

### INTRODUCTION

As part of the Centers for Medicare & Medicaid Services' (CMS) effort to improve financial reporting, we are clarifying the policy for reissuing, stale dating and reporting outstanding Medicare checks. In December 1993, CMS issued 42 Code of Federal Regulation's (CFR) Subpart M – Replacement and Reclamation of Medicare Payments 424.352, *intermediary and carrier checks that are lost, stolen, defaced, mutilated, destroyed, or paid on forged endorsements*. This Program Memorandum (PM) provides instructions to Medicare contractors and will establish a standard to manage and report outstanding Medicare checks.

### RE-ISSUING MEDICARE CHECKS

All Medicare contractors must reissue checks in accordance with 42 CFR 424.352, *intermediary and carrier checks that are lost, stolen, defaced, mutilated, destroyed or paid on forged endorsements*.

The provisions of this regulation require that a Medicare contractor (fiscal intermediary or carrier) perform certain tasks upon notification by a payee that a check has been lost, stolen, defaced, mutilated, destroyed or paid on forged endorsements. These steps are as follows:

- A. The Medicare contractor must contact the financial institution on which the check was drawn to determine whether the check has been negotiated.
- B. If the check has been negotiated:
  1. The Medicare contractor will provide the payee with a copy of the check and other pertinent information (such as a claim form, affidavit or questionnaire to be completed by the payee) required to pursue the claim in accordance with State law and commercial banking regulations.
  2. The payee must examine the check and certify (by completing the claim form, questionnaire or affidavit) that the endorsement is not the payee's.
  3. The claim form and other pertinent information are sent to the Medicare contractor for review and processing of the claim.
  4. The Medicare contractor reviews the payee's claim. If the Medicare contractor determines that the claim appears to be valid, it forwards the claim and copy of the check to the issuing bank. The Medicare contractor takes further action to recover the proceeds of the check in accordance with State law and regulations.
  5. Once the Medicare contractor recovers the proceeds of the initial check, the Medicare contractor issues a replacement check to the payee.
  6. If the bank of first deposit refuses to settle on the check for good cause, the payee must pursue the claim on their own, and the Medicare contractor will not reissue the check to the payee.

- C. If the check has not been negotiated:
1. The Medicare contractor arranges with the bank to stop payment on the check.
  2. Except as provided in paragraph (D) of 42 CFR 424.352 the Medicare contractor reissues the check to the payee.
- D. **No check may be reissued under (C)(2) unless the claim for a replacement check is received by the contractor no later than 1 year from the date of issuance of the original check, unless State law (including any applicable Federal banking laws or regulations that may affect the relevant State proceeding) provides a longer period which will control.**

Based on 42 CFR 424.352 (summarized above), the Medicare contractor would rarely reissue a check after 1 year from the date of issuance. However, many requests are received regarding beneficiary checks older than 1 year. Below are the only circumstances, which allow a Medicare contractor to reissue a check beyond 1 year. Checks, which can be physically presented, do not meet the definition of checks that are lost, stolen, defaced, mutilated, destroyed or paid on forged endorsements. Therefore, if both of the criteria below can be satisfied, then the check may be reissued. Additionally, requests to reissue Medicare payments must be received within the statute of limitations and record retention requirements (whichever is earlier). The criteria are:

- 1) If the payee (beneficiary, physician, supplier, provider, etc.) and/or authorized representative can physically present the check, **and**
- 2) The Medicare contractor can prove that the check was not previously reissued.

#### STALE DATING OF CHECKS

Medicare contractors are expected to continuously review all outstanding checks, take the appropriate action to stale date and cancel checks in conformance with Federal and/or State/local banking regulations, and adjust financial reporting. Medicare contractors must advise their financial institution of the change in the status of a check.

Outstanding checks are defined as checks which have been issued as payment for Medicare benefits, and have not been presented to a financial institution and subsequently drawn from Medicare trust funds.

Stale dated checks are defined as checks which have reached a specific age from date of issue (e.g., 1 year from the date of issuance), and have not been presented to the financial institution and subsequently drawn from the Medicare trust funds. Additionally, once a check has been stale dated and cancelled, the financial institution must be notified in writing. These checks should not be included in the amount reported as outstanding checks.

Effective with this PM, CMS will require all Medicare contractors to implement a stale dated check policy. All checks, which reach 1 year from the date of issue and remain outstanding, must be stale dated in accordance with this policy. Medicare contractors must document their stale dating policy as part of their written operating policies and procedures. CMS recognizes that some Medicare contractors may be required to establish a different stale dating policy based on State or local banking regulations. The Medicare contractor must notify CMS in writing when these regulations exist. In the event that a Medicare contractor must stale date checks in less than 1 year (due to State or local banking regulations), that Medicare contractor must recognize and report the value of these checks as an Other Liability on Form CMS-750 until 1 year from the date of issue, since the payee has the right to reclaim the funds.

#### CANCELLATION OF OUTSTANDING CHECKS

This PM will re-establish the 1 year time limit for benefit payment checks to be cashed. CMS recognizes that Medicare contractors and the financial institutions they deal with have varied commercial practices and State laws. Where a check is not presented for payment within 1 year from the date of issue, the Medicare contractor must cancel the check.

Effective with this PM, Medicare contractors have no responsibility to initiate contact with providers, physicians, suppliers, and/or beneficiaries to ascertain why a Medicare benefit check is outstanding.

This PM supersedes instructions contained in the Medicare Intermediary Manual, §3703.2, and the Medicare Carrier Manual, §7055.1.

### UNDELIVERABLE CHECKS

Medicare providers, physicians, suppliers, and beneficiaries are responsible for providing the Medicare contractor with their current and accurate address. The Medicare contractors must comply with the policy established in Transmittal No. AB-00-06, "Do Not Forward (DNF) Initiative." This transmittal, requires Medicare contractors to reissue the check based upon the receipt of an updated verified address information, and if no updated address information has been submitted, then Medicare contractors must void any returned checks.

When a Medicare benefit check has been returned as undeliverable, the Medicare contractor will void the check immediately and recognize and report the value of the check(s) as an Other Liability on Form CMS-750 until 1 year for the date of issuance, since the payee has the right to reclaim the funds.

### FINANCIAL REPORTING

Outstanding checks must be reported on the Monthly Contractor Financial Report, Form CMS-1522 and on the Statement of Financial Position, Form CMS-750. Medicare contractors must have supportable and auditable documentation to support balances reported.

The Medicare contractors must report:

1. The balance of all outstanding checks at the end of each month in section D – Reconciliation and Analysis of Special Bank Account, of the Form CMS-1522;
2. The balance of all outstanding checks at the end of the quarter in the Cash line of the Assets section of Form CMS-750. Outstanding checks reported on Form CMS-750 must equal the outstanding checks reported on Form CMS-1522 for the same period;
3. The amount of any liability for stale dated checks less than 1 year from the date of issue in the Other Liabilities section of Form CMS-750; and
4. The amount of any liability for undeliverable checks less than 1 year from the date of issue, in the Other Liabilities section of Form CMS-750.

Medicare contractors' systems must be able to obtain/maintain transaction level detail of outstanding checks from their financial institution(s). The Medicare contractor must reconcile outstanding checks monthly to Form CMS-1522 and the Medicare contractors bank statement.

There are separate data screens for Part A, Hospital Insurance (HI), and Part B, Supplementary Medical Insurance (SMI) in the Contractor Administrative Budget Financial Management (CAFM) system. Enter outstanding checks data in both data screens, as appropriate.

**The *effective date* for this PM is September 17, 2001.**

**The *implementation date* for the revisions in this PM is October 1, 2001.**

**These instructions should be implemented within your current operating budget. Medicare contractors may liquidate current check stock, prior to re-ordering checks with new stale date provisions.**

**This PM may be discarded after September 10, 2002.**

**If you have any questions, contact Mary Carole Anske at (410)786-5415 or Floyd Epps at (410)786-1952, CMS, Division of Accounting.**