

# Program Memorandum Intermediaries

Department of Health &  
Human Services (DHHS)

Centers for Medicare &  
Medicaid Services (CMS)

Transmittal A-03-061

Date: JULY 25, 2003

## CHANGE REQUEST 2714

**SUBJECT: Tentative Settlement Requirements for Cost Reports from Home Health Agencies (HHAs) and Skilled Nursing Facilities (SNFs) that have No Reimbursement Impact**

### I. GENERAL INFORMATION

This Program Memorandum (PM) eliminates the requirement for Fiscal Intermediaries (FIs) to perform tentative settlements on HHA and SNF cost reports when the provider did not receive Periodic Interim Payments (PIP) or other interim payments, and the cost report does not include a claim for any reimbursement outside the Prospective Payment System (PPS) (e.g., bad debts or drug expense). The FIs must continue to final settle these cost reports within one year from the cost report acceptance date if the cost report is not scheduled for audit or focus review.

#### A. Background:

Section 42 CFR 413.64(f) and the Provider Reimbursement Manual, Part 1 § 2408.2, stipulate that an initial/tentative retroactive adjustment must be made as quickly as possible after the receipt of a cost report from the provider. Change Request 1468 requires the FI to make a tentative settlement on all cost reports within 60 days of the receipt of an acceptable cost report. Prompt initial/tentative retroactive adjustments are essential to ensure proper cash flow to the provider. Some home health agencies and skilled nursing facilities receive all of their payments based on the prospective payment methodology. In these cases the tentative settlement of the provider's cost report would result in no payment due to or from the provider. Therefore this PM eliminates the requirement to perform tentative settlements of HHA and SNF cost report when the provider did not receive PIP or other interim payments, and the cost report does not include a claim for any reimbursement outside the PPS (e.g. bad debts or drug expense). Tentative settlement of HHA and SNF cost reports must be completed if the provider receives PIP or other interim payments, or when a portion of the provider's payment is based on the cost report (e.g. the cost report claims reimbursement for bad debt or drug expenses). FIs are still required to final settle all cost reports that are not scheduled for audit or focus reviews within one year from the cost report acceptance date.

#### B. Policy:

Tentative settlements are not required for HHA and SNF cost reports when the provider did not receive PIP or other interim payments, or any other reimbursement based on the cost report (e.g. there is no bad debt or drug expense)

### II. BUSINESS REQUIREMENTS

Requirement #	Requirements	Responsibility
2714.1	The FI receives the SNF or HHA cost report.	All FIs
2714.1.1	The FI determines if the cost report is acceptable.	All FIs
2714.1.2	The FI determines if the provider receives PIP/other interim payments, or any other reimbursement based on the cost report.	All FIs
2714.1.2.1	If FI determines there is PIP/other interim payments, or other reimbursement based on the cost report then follow requirements identified in CR 1468 for tentative settlements. The PM does not apply in this situation.	All FIs

CMS-Pub.60A

2714.1.2.2	If FI determines there is no PIP/other interim payments, or any other reimbursement based on the cost report the FI shall not perform a tentative settlement.	All FIs
2714.2	For the SNF/HHA cost reports identified in 2714.1.2.2, at final settlement the FI shall update the SNF and HHA cost report using the Provider Statistical and Reimbursement Report (PS&R) that is as close as possible, but no earlier than 90 days, prior to the settlement date.	All FIs
2714.3	The FI shall issue a Notice of Program Reimbursement within 12 months of the cost report acceptance date unless the cost report is scheduled for audit or focus review.	All FIs
2714.4	The FI shall send the cost report data to HCRIS.	All FIs

### **III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS**

**A. Other Instructions: N/A**

**B. Design Considerations: N/A**

**C. Interfaces: N/A**

**D. Contractor Financial Reporting /Workload Impact: Reduces contractor workload.**

**E. Dependencies: N/A**

**F. Testing Considerations: N/A**

### **IV. ATTACHMENT(S) N/A**

<b>Implementation Date: July 1, 2003</b>	<b>Effective Date: July 1, 2003</b>
<b>Discard Date: July 25, 2004.</b>	<b>Funding: Within Current Operating Budget</b>
<b>Contact: Dave Czernski 410-786-1292</b>	