



Updated Manual Guidelines for Electronic Funds Transfer (EFT) Payments and Change of Ownership (CHOW)

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Related Change Request (CR) Number: 9953

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PROVIDER TYPES AFFECTED

This MLN Matters Article is intended for providers involved in a Change of Ownership (CHOW) submitting claims to Part A & B Medicare Administrative Contractors (MACs) for services provided to Medicare beneficiaries.

PROVIDER ACTION NEEDED

Special Edition article SE17012 clarifies language in Chapter 15, Section 15.7.7.1.5 of the “Medicare Program Integrity Manual” related to Electronic Funds Transfer (EFT) Payments and Changes of Ownership (CHOWs). Please make sure your staffs are aware of this update.

BACKGROUND

The Centers for Medicare & Medicaid Services (CMS) issued Change Request (CR) 9953 (effective May 15, 2017), for the purpose of making revisions to Chapter 15, Section 15.7.7.1.5 (Electric Funds Transfer (EFT) Payments and CHOWs) of the “Medicare Program Integrity Manual.” The revisions explain that after a Change of Ownership (CHOW) has been processed, only the Buyer is permitted to submit claims.

Change of Ownership (CHOW) is defined in 42 CFR 489.18 (a) and generally means, in the case of a partnership, the removal, addition, or substitution of a partner, unless the partners expressly agree otherwise, as permitted by applicable State law. In the case of a corporation, the term generally means the merger of the provider corporation into another corporation, or the consolidation of two or more corporations, resulting in the creation of a new corporation. The transfer of corporate stock or the merger of another corporation into the provider corporation does not constitute change of ownership.

The most common example of a CHOW occurs when a provider's CMS Certification Number (CCN) and provider agreement are transferred to another entity as a result of the latter's purchase of the provider. To illustrate, suppose Entity A is enrolled in Medicare, but Entity B is not. B acquires A. Assuming all regulatory requirements are met, A's provider agreement and CCN number will transfer to B.

Upon accepting the provider agreement, the new owner accepts the terms and conditions under which it was originally issued. Once the CHOW processes and the MAC: 1) receives the tie-in notice from the CMS Regional Office; and 2) updates the Provider Enrollment Chain and Ownership System (PECOS), claims will only be paid under the new owner's tax identification number, National Provider Identifier and CCN, or provider transaction number.

MACs will no longer have the ability to update the crosswalk in order for the Seller to complete their billing. Therefore, the old and new owners are responsible for working together on payment arrangements for claims for services furnished during and before the CHOW is processed.

The updated manual language follows:

PIM Language Update

In a CHOW, the existing provider agreement is automatically assigned to the Buyer/Transferee. If the Buyer/Transferee does not explicitly reject automatic assignment before the transfer date, the provider agreement is automatically assigned, along with the CCN, effective on the transfer date. The assigned agreement is subject to all applicable statutes and regulations and to the terms and conditions under which it was originally issued. Among other things, this means that the contractor will continue to adjust payments to the provider to account for prior overpayments and underpayments, even if they relate to services provided before the sale/transfer. If the Buyer rejects assignment of the provider agreement, the Buyer must file an initial application to participate in the Medicare program. In this situation, Medicare will **never** pay the applicant for services the prospective provides before the date on which the provider qualifies for Medicare participation as an initial applicant.

Depending on the terms of the sale, the Buyer/Transferee may obtain a new NPI or maintain the existing NPI. After CHOW processing is complete, the Seller/Transferor will no longer be allowed to bill for services (i.e., services furnished after CHOW processing is complete) and only the Buyer is permitted to submit claims using the existing CCN. It is ultimately the responsibility of the old and new owners to work out between themselves any payment arrangements for claims for services furnished during the CHOW processing period.

ADDITIONAL INFORMATION

The official instruction, CR9953, issued to your MAC regarding this change is available at <https://www.cms.gov/Regulations-and-Guidance/Guidance/Transmittals/2017Downloads/R715PI.pdf>.

If you have any questions, please contact your MAC at their toll-free number. That number is available at <https://www.cms.gov/Research-Statistics-Data-and-Systems/Monitoring-Programs/Medicare-FFS-Compliance-Programs/Review-Contractor-Directory-Interactive-Map/>.

DOCUMENT HISTORY

Date of Change	Description
May 16, 2017	Initial article released.

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