MLN Matters Number: MM3557 Related Change Request (CR) #: 3557

Related CR Release Date: December 23, 2004 Effective Date: January 25, 2005

Related CR Transmittal #: R416CP Implementation Date: January 25, 2005

**Note:** This article was revised to contain Web addresses that conform to the new CMS web site and to show they are now MLN Matters articles. All other information remains the same.

## Interest Payment on Clean Claims Not Paid Timely

## **Provider Types Affected**

Physicians, providers, and suppliers billing Medicare carriers and intermediaries, including durable medical equipment regional carriers (DMERCs)

### **Provider Action Needed**

Physicians, providers, and suppliers should note that this article clarifies information relating to the calculation of interest due on claims not paid in a timely manner by Medicare

# **Background**

The Medicare Claims Processing Manual (Pub, 100-04, Chapter 1, Section 80.2.2) provides instructions for assessing and calculating interest due on non-periodic interim payment (PIP) claims not paid in a timely manner by fiscal intermediaries (FIs) and carriers. It states the following:

- Interest is required to be paid for clean claims not paid within 30 days after the day of receipt of a claim.
- Interest accrues until and including the day of late payment.

Related CR 3557 corrects Chapter 1, Section 80.2.2 of the Medicare Claims Processing Manual. For your convenience, the following revised language from Section 80.2.2 is provided with revisions in red (bold and italicized):

"Interest must be paid on clean claims if payment is not made within the applicable number of calendar days (i.e., 30 days) after the date of receipt as described above. The applicable number of days is also known as the payment ceiling. For example, a clean claim received on October 1, 1993, must have been paid before the end of business on October 31, 1993. Interest is not paid on:

- Claims requiring external investigation or development by the provider's FI *or carrier*;
- Claims on which no payment is due;
- Full denials;

#### Disclaimer

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- Claims for which the provider is receiving PIP; or
- Home Health Prospective Payment System (HH PPS) Requests for Anticipated Payment (RAPs).

Interest is paid on a per bill basis at the time of payment. Interest is paid at the rate used for §3902(a) of title 3I, U.S. Code (relating to interest penalties for failure to make prompt payments). The interest rate is determined by the applicable rate on the day of payment. This rate is determined by the Treasury Department on a 6-month basis, effective every January and July 1. For the correct rate, providers may access the Treasury Department web page <a href="http://www.publicdebt.treas.gov/opd/opdprmt2.htm">http://www.publicdebt.treas.gov/opd/opdprmt2.htm</a> for the correct rate. Also, the carrier or FI notifies the provider of any changes to this rate.

Interest is calculated using the following formula:

Payment amount x rate x days divided by 365 (366 in a leap year) = interest payment

The interest period begins on the day after payment is due and ends on the day of payment. Note that the example below is for one 6-month period in which the interest rate was 5.625 percent.

Milestones	Clean Paper Claim (in calendar days)	Clean Electronic Claim (in calendar days)
Date Received	November 1, 2001	November 1, 2001
Payment Due	December 1, 2001	December 1, 2001
Payment Made	December 4, 2001	December 4, 2001
Interest Begins	December 2, 2001	December 2, 2001
Days for Which Interest Is Due	3	3
Amount of Payment	\$100	\$100
Interest Rate	5.625%	5.625%

See §80.2.1.1 for the definition of EMC and paper claims.

The following formula is used:

For the clean paper claim:  $100 \times .05625 \times 3$  divided by 365 = 0.0462 or, 0.05 when rounded to the nearest penny.

For the clean electronic claim:  $$100 \times .05625 \times 3$$  divided by 365 = \$0.0462, or \$0.05 when rounded to the nearest penny."

When interest payments are applicable, the FI or carrier reports the amount of interest on each claim on the remittance record to the provider.

### **Additional Information**

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The official instruction issued to your carrier/intermediary regarding this change may be found by going to <a href="http://www.cms.gov/Transmittals/downloads/R416CP.pdf">http://www.cms.gov/Transmittals/downloads/R416CP.pdf</a> on the CMS website.

# **Implementation Date**

The implementation date for this instruction is January 25, 2005

#### Disclaimer