CMS Manual System	**Department of Health & Human Services (DHHS)**
Pub 100-20 One-Time Notification	**Centers for Medicare & Medicaid Services (CMS)**
Transmittal 1054	**Date: March 7, 2012**
	Change Request 7678

Transmittal 1012, dated January 7, 2012 is rescinded and replaced with Transmittal 1054, dated March 7, 2012 , to revise the Background section and the instruction in Business Requirement (BR) 7678.2 that contractors are to use Group Code "CO" when denying claims for services furnished to incarcerated beneficiaries. Contractors will now be instructed to use Group Code "PR" in such instances.

SUBJECT: Use of Revised Remittance Advice Remark Code (RARC) N103 When Denying Services Furnished to Federally Incarcerated Beneficiaries

I. SUMMARY OF CHANGES: Remittance Advice Remark Codes (RARCs) are used in a remittance advice to further explain an adjustment or relay informational messages that cannot be expressed with a claim adjustment reason code. RARC N103 does not make specific mention of services furnished to an individual while he or she is in Federal custody. Yet CMS has instructed contractors to use RARC N103 when denying claims rejected by the CWF for services furnished to federally incarcerated beneficiaries. RARC N103 will be revised to include such language in order to be more specific in further explaining the accompanying adjustment.

EFFECTIVE DATE: July 1, 2012
IMPLEMENTATION DATE: July 2, 2012

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual is not updated)
R=REVISED, N=NEW, D=DELETED-*Only One Per Row.*

R/N/D	CHAPTER / SECTION / SUBSECTION / TITLE
N/A	

III. FUNDING:
For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:
No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

For Medicare Administrative Contractors (MACs):
The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

One-Time Notification

**Unless otherwise specified, the effective date is the date of service.*

Attachment – One-Time Notification

Pub. 100-20	Transmittal: 1054	Date: March 7, 2012	Change Request: 7678

Transmittal 1012, dated January 6, 2012 is rescinded and replaced with Transmittal 1054, dated March 7, 2012, to revise the Background section and the instruction in Business Requirement (BR) 7678.2 that contractors are to use Group Code "CO" when denying claims for services furnished to incarcerated beneficiaries. Contractors will now be instructed to use Group Code "PR" in such instances.

SUBJECT: Use of Revised Remittance Advice Remark Code (RARC) N103 When Denying Services Furnished to Federally Incarcerated Beneficiaries

Effective Date: July 1, 2012
Implementation Date: July 2, 2012

I. GENERAL INFORMATION

A. Background: According to Federal regulations at 42 CFR §411.4, Medicare does not pay for services furnished to a beneficiary who has no legal obligation to pay for the service and no other person or organization has a legal obligation to provide or pay for the service. This exclusion presumptively applies to individuals who are incarcerated in a Federal facility under Federal authority. Under §411.6, Medicare does not pay for services furnished by a federal provider of services or by a federal agency. This exclusion also presumptively applies to individuals who are incarcerated in a Federal facility under Federal authority. And under §411.8, Medicare does not pay for services that are paid for directly or indirectly by a governmental entity. Again, this exclusion also presumptively applies to individuals who are incarcerated in a Federal facility under Federal authority.

As such, when claims for services furnished to beneficiaries who are incarcerated in a Federal facility under Federal authority are submitted to Medicare claims processing contractors, the claims are rejected by the Common Working File (CWF) and denied by the claims processing contractors. Contractors use the following remittance advice messages when denying such claims:

Remittance Advice Remark Code (RARC) N103 – "Social Security records indicate that this patient was a prisoner when the service was rendered. This payer does not cover items and services furnished to an individual while they are in State or local custody under a penal authority, unless under State or local law, the individual is personally liable for the cost of his or her health care while incarcerated and the State or local government pursues such debt in the same way and with the same vigor as any other debt."

Claim Adjustment Reason Code (CARC) 96 – "Non-covered charges."

MSN 29.13 – "Medicare does not pay for these services because they are payable by another government agency. Submit this claim to that agency." Spanish translation: "Medicare no pagará estos servicios debido a que pueden ser pagados por otra agencia gubernamental. Envíe esta reclamación a esa agencia."

Group Code PR: Patient Responsibility

Remittance Advice Remark Codes (RARCs) are used in a remittance advice to further explain an adjustment or relay informational messages that cannot be expressed with a claim adjustment reason code. CMS has determined that the wording of the above RARC N103 is insufficient in that it does not make mention of

services furnished to an individual while he or she is in Federal custody. Therefore, CMS is amending RARC N103 to include such language in order to be more specific in further explaining the accompanying adjustment.

B. Policy: Contractors shall use the following revised RARC N103 language (in addition to remittance advice language already in use) when denying claims for services furnished to beneficiaries while they are in Federal, State, or local custody:

N103 – "Social Security records indicate that this patient was a prisoner when the service was rendered. This payer does not cover items and services furnished to an individual while he or she is in a Federal facility, or while he or she is in State or local custody under a penal authority, unless under State or local law, the individual is personally liable for the cost of his or her health care while incarcerated and the State or local government pursues such debt in the same way and with the same vigor as any other debt."

Note: The revised RARC N103 will be published and effective on March 1, 2012, prior to the implementation date of this CR.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
7678.1	When denying claims for services rejected by the CWF for being furnished to Federally incarcerated Medicare beneficiaries, contractors shall use the newly modified RARC N103: "Social Security records indicate that this patient was a prisoner when the service was rendered. This payer does not cover items and services furnished to an individual while he or she is in a Federal facility, or while he or she is in State or local custody under a penal authority, unless under State or local law, the individual is personally liable for the cost of his or her health care while incarcerated and the State or local government pursues such debt in the same way and with the same vigor as any other debt."	X	X	X	X						
7678.2	When denying claims for services rejected by the CWF for being furnished to Federally incarcerated Medicare beneficiaries, contractors shall, in addition to the RARC in 7678.1, continue to use the the following remittance advice and Medicare Summary	X	X	X	X						

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
	Notice messages: CARC 96 – "Non-covered charges." MSN 29.13 – "Medicare does not pay for these services because they are payable by another government agency. Submit this claim to that agency." Spanish translation: "Medicare no pagará estos servicios debido a que pueden ser pagados por otra agencia gubernamental. Envíe esta reclamación a esa agencia." Group Code PR: Patient Responsibility										

III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
7678.3	A provider education article related to this instruction will be available at http://www.cms.hhs.gov/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that	X	X	X	X						

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A/B MAC	DME MAC	FI	CARRIER	RHHI	Shared-System Maintainers				OTHER
							FISS	MCS	VMS	CWF	
	would benefit their provider community in billing and administering the Medicare program correctly.										

IV. SUPPORTING INFORMATION

Section A: For any recommendations and supporting information associated with listed requirements, use the box below: N/A

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: For all other recommendations and supporting information, use this space: N/A

V. CONTACTS

Pre-Implementation Contact(s): For questions pertaining to claims processing for incarcerated beneficiaries, please contact Eric Coulson at eric.coulson@cms.hhs.gov.

Post-Implementation Contact(s): Contact your Contracting Officer's Technical Representative (COTR) or Contractor Manager, as applicable.

VI. FUNDING

Section A: *Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs),* and/or *Carriers*:

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

Section B: *For Medicare Administrative Contractors (MACs)*:

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.