

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-20 One-Time Notification</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 1330</b>	<b>Date: December 27, 2013</b>
	<b>Change Request 8488</b>

**Transmittal 1320, dated November 22, 2013, is being rescinded and replaced by Transmittal 1330, dated December 27, 2013 to reflect a revised Effective date of April 1, 2014, revised Implementation date of April 7, 2014, and revised CARC and RARC language to be consistent with what has been posted to the Washington Publishing Company website. All other information remains the same.**

**SUBJECT: Revised Beneficiary Liability and Messages Associated with Denials for Claims for Services Furnished to Incarcerated Beneficiaries**

**I. SUMMARY OF CHANGES:** This Change Request (CR) instructs the Medicare claims processing contractors to use an updated CARC, revised RARC language, and Group Code when denying claims for services furnished to incarcerated beneficiaries.

**EFFECTIVE DATE: April 1, 2014**

**IMPLEMENTATION DATE: April 7, 2014**

*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.

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
N/A	

**III. FUNDING:**

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

No additional funding will be provided by CMS; Contractors activities are to be carried out with 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 obliged 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.*

# One-Time Notification

Pub. 100-20	Transmittal: 1330	Date: December 27, 2013	Change Request: 8488
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## **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. Under §411.6, Medicare does not pay for services furnished by a federal provider of services or by a federal agency. And under §411.8, Medicare does not pay for services that are paid for directly or indirectly by a governmental entity. Further, as found in §411.4, “(i) individuals who are in custody include, but are not limited to, individuals who are under arrest, incarcerated, imprisoned, escaped from confinement, under supervised release, on medical furlough, required to reside in mental health facilities, required to reside in halfway houses, required to live under home detention, or confined completely or partially in any way under a penal statute or rule.”

As such, when claims for services furnished to beneficiaries who are incarcerated are submitted to Medicare claims processing contractors, the claims are rejected by the Common Working File (CWF) and denied by the claims processing contractors. Per previously issued instructions (most recently, CR 7678, Transmittal 1054, issued 3/7/2012), contractors use the following remittance advice and Medicare Summary Notice (MSN) messages and Group Code when denying such claims:

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

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 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.”

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



Number	Requirement	Responsibility											
		A/B MAC			D M E M A C	F I	C A R R I E R	R H I	Shared- System Maintainers				Other
		A	B	H H H					F I S S	M C S	V M S	C W F	
	they are in Federal, State, or local custody:  258 - " Claim/service not covered when patient is in custody/incarcerated. Applicable federal, state or local authority may cover the claim/service."												
8488.2	Medicare claims processing contractors shall begin using the following revised Remittance Advice Remark Code N103 language when denying claims for services furnished to beneficiaries while they are in Federal, State, or local custody:  N103 - "Records indicate this patient was a prisoner or in custody of a Federal, State, or local authority when the service was rendered. This payer does not cover items and services furnished to an individual while he or she is in custody under a penal statute or rule, unless under State or local law, the individual is personally liable for the cost of his or her health care while in custody and the State or local government pursues the collection of such debt in the same way and with the same vigor as the collection of its other debts. The provider can collect from the Federal/State/Local authority as appropriate."	X	X		X								
8488.3	Medicare claims processing contractors shall begin using the following Group Code to assign proper liability when denying claims for services furnished to beneficiaries while they are in Federal, State, or local custody:  Group Code OA: Other Adjustment	X	X		X								
8488.4	Other than the changes instructed above, Medicare claims processing contractors shall continue to use existing Medicare Summary Notice (MSN) language already in place when denying claims for services furnished to beneficiaries while they are in Federal, State, or local custody.	X	X		X								

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility							
		A/B MAC			D M E M A C	F I	C A R R I E R	R H H I	Other
		A	B	H H H					
8488.5	MLN Article : A provider education article related to this instruction will be available at <a href="http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/">http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNMattersArticles/</a> 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 sites 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 the contractor's next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.	X	X		X				

#### IV. SUPPORTING INFORMATION

**Section A: Recommendations and supporting information associated with listed requirements: N/A**

*"Should" denotes a recommendation.*

X-Ref Requirement Number	Recommendations or other supporting information:

**Section B: All other recommendations and supporting information: N/A**

#### V. CONTACTS

**Pre-Implementation Contact(s):** Fred Grabau, [Frederick.Grabau@cms.hhs.gov](mailto:Frederick.Grabau@cms.hhs.gov) (for questions concerning the payment policy regarding incarcerated beneficiaries) , Eric Coulson, [eric.coulson@cms.hhs.gov](mailto:eric.coulson@cms.hhs.gov) (for questions pertaining to claims processing for incarcerated beneficiaries)

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

#### VI. FUNDING

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

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