
CMS Manual System

Pub. 100-19 Demonstrations

Department of Health &
Human Services (DHHS)
Centers for Medicare &
Medicaid Services (CMS)

Transmittal 19

Date: FEBRUARY 18, 2005

CHANGE REQUEST 3724

Note: This transmittal was previously communicated via RO-3129/CI-2929, Dated February 18, 2005, is no longer sensitive.

SUBJECT: Notification to Affiliated Contractors of the establishment of Medicare Secondary Payer (MSP) Recovery Audit Contractors (RACs) and the impact to the Affiliated Contractors current MSP recovery processes.

I. SUMMARY OF CHANGES: A demonstration project is being initiated and will utilize RACs in the identification of new Medicare Secondary Payer (MSP) Group Health Plan (GHP) occurrences and the recovery of the associated Medicare mistaken primary payments.

Affiliated contractors shall interact with its RAC to ensure duplicate recovery activities do not take place. Affiliated contractors are those carriers and intermediaries who have paid claims for beneficiaries in the RAC assigned states associated with the contractor. A DMERC affiliated contractor are those DMERCs who have paid claims for beneficiaries with their primary residence as one of the RAC assigned states (i.e.; CA, FL, NY)

NEW/REVISED MATERIAL - EFFECTIVE DATE*: April 1, 2005

IMPLEMENTATION DATE: April 4, 2005

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. 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 not updated.)

(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)

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

III. FUNDING: Funding for implementation activities will be provided to contractors through the supplemental budget request process.

IV. ATTACHMENTS:

<input checked="" type="checkbox"/>	Business Requirements
<input type="checkbox"/>	Manual Instruction

	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

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

Attachment - Business Requirements

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SUBJECT: Notification to Affiliated Contractors of the establishment of Medicare Secondary Payer (MSP) Recovery Audit Contractors (RACs) and the impacts to the Affiliated Contractors current MSP recovery processes.

I. GENERAL INFORMATION

Section 306 of the Medicare Modernization Act (MMA) entitled “Demonstration Project for Use of Recovery Audit Contractors” requires the Secretary to conduct a demonstration project to identify Medicare underpayments and overpayments and to recoup overpayments for both Part A and Part B services. A Report to Congress is required six months after completion of the demonstration project. The report will contain analysis specific to the impact of the demonstration on Medicare savings and recommendations on extending or expanding the project.

A. Background:

A demonstration project is being initiated and will utilize RACs in the identification of new Medicare Secondary Payer (MSP) Group Health Plan (GHP) occurrences and the recovery of the associated Medicare mistaken primary payments.

Affiliated contractors shall interact with their affiliated RAC to ensure duplicate recovery activities do not take place. Affiliated contractors are those carriers and intermediaries who have paid claims for beneficiaries in the RAC assigned states associated with the contractor. A DMERC affiliated contractor are those DMERs who have paid claims for beneficiaries with their primary residence as one of the RAC assigned states (i.e.; CA, FL, NY)

B. Policy:

Affiliated contractors shall ensure duplicate recoveries do not occur by interacting with the RACs and modifying current recovery processes.

II. BUSINESS REQUIREMENTS

“Shall” denotes a mandatory requirement

“Should” denotes an optional requirement

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)					
		F I	R H I	C a r	D M E	Shared System Maintainers	Other

						F I S S	M C S	V M S	C W F	
3724.1	Affiliated Contractors shall identify all RAC identified beneficiary records, which have been created by the RAC assigned to the affiliated contractors state, as part of their current CWF validation process prior to the issuance of any demand.	X		X	X					
3724.2	If the CWF record is present and contains all employer and insurer information, each affiliated contractor shall identify the contractor number of the originating contractor (the contractor that was responsible for the creation of the record).	X		X	X					
3724.3	If the originating contractor number is a RAC contractor number (CWF shall show 11125 with a source code of 25, 11126 with a source code of 26 or 11127 with a source code of 27), the affiliated contractor shall confirm the relationship of the originating RAC contractor with its state. For example: RAC 11125 will be assigned to California, 11126 will be assigned to Florida and 11127 will be assigned to New York. The California affiliated contractor has a relationship with RAC 11125, no other RAC.	X		X	X	X	X	X	X	
3724.4	Affiliated contractors shall not initiate recoveries on MSP beneficiary GHP records that were identified and created as a result of their related RACs involvement. (In the event an affiliated contractors standard system creates the accounts receivable (A/R) upon the request for history, the contractor shall make appropriate adjustments to the A/R to ensure no demand is made on claims associated to the MSP GHP record created by the RAC). Upon HIGLAS implementation the debt shall be adjusted within HIGLAS, since the ReMAS interface of GHP debts to HIGLAS will be done systematically/automatically (no chance to catch before the debt is created).)	X		X	X					

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		F I	R H H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
3724.5	From this step, affiliated contractors shall follow all existing instructions specific to MSP recovery. (IOM Pub.100-5, Chapter 7 and IOM. Pub. 100-6, Chapter 5)	X		X	X					
3724.6	RACs will refer all notices of duplicate primary payment to the affiliated contractor. The affiliated contractor shall follow standard operating procedures specific to provider, physician or supplier recovery of duplicate primary payments.	X		X	X					
3724.7	In the event the affiliated contractor receives an appeal (i.e., Redetermination) request specific to a DPP recovery, the affiliated contractor shall make the appeal decision and report the status of any DPP appeal on the monthly report to the Project Officer. (See Exhibit 1 for desired format for all DPP activity)	X		X	X					
3724.8	In the event the DPP overpayment had previously been recovered due to credit balance reporting, provider claim adjustment, etc, the affiliated contractor shall relay this information via the DPP report to the Project Officer and shall not make a further demand.	X		X	X					
3724.9	The affiliated contractor shall create a DPP hardcopy case folder containing the initial notification/transfer of the DPP by the RAC, a copy of the demand letter, all subsequent correspondence specific to the debt and the date and amount actually recovered either by the affiliated contractor or through cross servicing efforts.	X		X	X					
3724.10	The RAC shall notify and supply to the	X		X	X					

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3724.11	<p>affiliated contractor a request to refund along with all documentation to support the refund. The affiliated contractor shall follow their standard operating procedure regarding refunds (See IOM Pub.100-6 Financial Management Manual Chapter 5 for instructions).</p> <p>In the event a MSP occurrence which had been identified by the RAC and approved by COBC later comes in as part of the next scheduled VDSA or Data match submission, the COBC will delete the RAC record and create the new record due to Data match or VDSA.</p> <ul style="list-style-type: none"> The affiliated contractor shall capture this record in its next scheduled GHP history search and initiate recovery. 				X					
3724.12	<p>In the event the RAC receives payment specific to this situation, the RAC shall send a copy of the case file to the affiliated contractor.</p> <ul style="list-style-type: none"> The affiliated contractor shall ensure duplicate recovery does not take place on claims for which payment had already been received. The affiliated contractor shall make any applicable refund if timing issues result in a duplicate recovery. 	X			X	X				
3724.13	<p>In the event the RAC is unsuccessful in its recovery attempts and refers the debt to Treasury prior to the VDSA or Data match submission, the RAC shall obtain all recovery information from Central Office Division of Financial Reporting and Debt Referral and recall the remainder of the debt. The RAC shall copy the entire case, along with claim specific recoveries by Treasury and send to the</p>	X			X	X				

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3724.14	<p>affiliated contractor.</p> <ul style="list-style-type: none"> The affiliated contractor shall use this information to ensure duplicate claim recoveries are not made specific to the new VDSA or Data match record. <p>Upon receipt of a 42 CFR 411.25 notice at the affiliated contractor, the contractor shall follow existing CMS instructions regarding the recovery of funds associated with the notice or the posting of funds as a result of the notifying entity’s compliance with its statutory obligation.</p>				X					
3724.15	<p>In the event the affiliated contractor receives a 42 CFR 411.25 notice, with or without payment, which has a corresponding GHP occurrence initiated by its affiliated RAC, the affiliated contractor shall notify its RAC and the Project Officer to determine the current status and date of any demand or repayment. The affiliated contractor shall ensure no duplication of recovery takes place.</p>	X			X	X				
3724.16	<p>Where a 42 CFR 411.25 notice is received without accompanying payment --</p> <ul style="list-style-type: none"> If the RAC issued a demand prior to the receipt date of the notice, and the notice contains no information that the provider, physician, or other supplier has been paid by the GHP insurer/TPA/plan; the RAC shall continue collection efforts. The affiliated contractor shall send all information specific to the notice to its RAC. If the RAC issued a demand prior to 	X			X	X				

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3724.17	<p>the receipt date of the notice, and the notice contains information that the provider, physician, or other supplier has been paid by the GHP insurer/TPA/plan; the affiliated contractor shall inform the RAC of any claims associated with the notice, as the RAC shall cease recovery efforts on those claims. The affiliated contractor shall follow standard operating procedures specific to the DPP recovery on the paid claims.</p> <ul style="list-style-type: none"> If the RAC issued a demand on or after the receipt date of the notice or if the RAC has not issued a demand, the affiliated contractor shall notify the RAC to cease collection efforts. The affiliated contractor shall take appropriate recovery actions. <p>Where a 42 CFR 411.25 notice is received with payment –</p> <ul style="list-style-type: none"> If the RAC issued a demand prior to the receipt date of the notice and check or claim adjustment, and the notice contains no information that the provider, physician, or other supplier has been paid by the GHP insurer/TPA/plan; the RAC shall pursue recovery of claims associated with the MSP occurrence that have not been repaid. The affiliated contractor shall inform the RAC of claims associated with the payment received. If the RAC issued a demand prior to the receipt date of the notice and check or claim adjustment, and the notice 	X		X	X					

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3724.18	<p>contains information that the provider, physician, or other supplier has been paid by the GHP insurer/TPA/plan for claims included in the repayment amount, the RAC shall cease recovery efforts for such claims. The affiliated contractor shall follow standard operating procedures specific to the DPP recovery effort on the claims.</p> <ul style="list-style-type: none"> If the RAC issued a demand on or after the receipt date of the notice and check or claim adjustment or if the RAC has not issued a demand, the RAC shall cease collection efforts. The affiliated contractor shall take appropriate recovery actions. <p>Where the affiliated contractor determines there is no existing CWF record, it shall await COBC development and record creation prior to initiating further recoveries. The COBC shall receive the 42 CFR 411.25 notice at the same time as the Medicare contractor, therefore no ECRS transaction will be required. In the event the contractor cannot determine whether COBC has simultaneously been notified of the notice, ECRS inquiry transaction shall be made.</p>	X		X	X					
3724.19	<p>Upon receipt of a voluntary/unsolicited refund to the affiliated contractor or referral of a voluntary/unsolicited refund from its RAC, the affiliated contractor shall follow existing procedures (Pub. 100-6 Transmittal 50, CR 3274) along with the processes defined below.</p> <ul style="list-style-type: none"> If the voluntary/unsolicited refund is specific to a GHP issue, the 	X		X	X					

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	<p>affiliated contractor shall confirm if a GHP record exists on CWF and if the creator of the record was its RAC.</p> <p>If the answer to both is “yes”</p> <ul style="list-style-type: none"> • If the RAC issued a demand prior to the receipt date of the unsolicited/voluntary refund, and the notice contains no information that the provider, physician, or other supplier has been paid by the GHP insurer/TPA/plan, the RAC shall continue its pursuit on any recovery claims associated with the MSP occurrence that have not been repaid. The affiliated contractor shall inform the RAC of claims associated with the payment received to ensure duplicate recoveries do not occur. • If the RAC issued a demand prior to the receipt date of the unsolicited/voluntary refund, and it contains information that the provider, physician, or other supplier has been paid by the GHP insurer/TPA/plan for claims not included in the repayment amount, the RAC shall cease recovery efforts for such claims. The affiliated contractor shall follow standard operating procedures specific to DPP recovery effort on the claims. • If the RAC issued a demand on or after the receipt date of the unsolicited/voluntary refund or if the RAC has not issued a demand, 									

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	the RAC shall cease collection efforts associated with the MSP occurrence. The affiliated contractor shall follow instructions in CR3274...									
3724.20	The affiliated contractor shall re-establish exhaustible benefits specific to the recovery and claims referred by the RAC.	X		X	X					
3724.21	CMS may also direct affiliated contractors to manually report additional RAC MSP savings.	X		X	X					
3724.22	The affiliated contractor shall receive inquiries either by phone, fax or hardcopy paper inquiries specific to a beneficiary who was identified by the RAC. The affiliated contractor shall document the phone conversation and refer the documentation to the RAC. The affiliated contractor shall supply the inquirer the appropriate RAC telephone number.	X		X	X					
3724.23	Affiliated contractors shall report DPP referrals from their affiliated RAC. The report for the preceding month is due to the Project Officer in an EXCEL format by the 10 th calendar day of each month. The report shall include the following categories: Date of Referral, Date of Demand, Amount of Demand, Amount Collected, and Status of Overpayment. (Use Exhibit 1)	X		X	X					
3724.24	The affiliated contractor shall report all RAC referred DPP efforts within Activity code 42006 under workload 2.	X		X	X					
3724.25	Affiliated contractors shall report debt specific	X		X	X					

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3724.26	information regarding all RAC Refund Requests. The report for the preceding month is due to the Project Officer in an EXCEL format by the 10 th calendar day of each month. The affiliated contractor shall include a column with the reason for each refund. The affiliated contractor shall report all RAC initiated refund requests and affiliated contractor efforts within Activity Code 42006 under workload 3.				X					
3724.27	Affiliated contractors shall report on a beneficiary specific basis the number of MSP occurrences for which they have had to take manual interventions to exclude associated debts from their systematically identified potential GHP demand universe. The report for the preceding month is due to the Project Officer in an EXCEL format by the 10 th calendar day of each month.	X			X	X				
3724.28	Affiliated contractors shall also quantify, on the report, the time and cost to take these manual steps to ensure no duplication of recovery occurs. Affiliated contractors shall record this figure in their monthly report for Activity Code 42006 under workload 1.	X			X	X				
3724.29	Affiliated contractors shall report a listing of beneficiaries for which exhaustible benefits were re-established due to RAC notification. The report for the preceding month is due to the Project Officer in an excel format by the 10 th calendar day of each month.	X			X	X				
3724.30	Affiliated contractors shall track all direct and indirect costs associated with all RAC	X			X	X				

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3724.31	interactions, as defined above, within Activity Code 42006. This code is currently not in use and will provide one single venue for reporting affiliated contractor costs to support the RAC demo. The affiliated contractors shall track the cost and time of all RAC interactions as part of Tasks under Activity Code 42006.	X		X	X					

III. PROVIDER EDUCATION

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		F I	R H H I	C a r r i e r	D M E R C	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
	None									

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: The affiliated contractors shall be responsible for interfacing and communicating with their affiliated RAC to ensure duplicate recoveries do not occur.

D. Contractor Financial Reporting /Workload Impact: The affiliated contractors shall ensure accurate financial reporting in the event they assume recoveries outside of the RACs scope of work. The affiliated contractors shall ensure all costs and workload counts associated with RAC interactions are accurately and completely reported within Activity Code 42006.

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date: April 1 2005</p> <p>Implementation Date: April 4, 2005</p> <p>Pre-Implementation Contact(s): Tina Merritt,(410) 786-6233</p> <p>Post-Implementation Contact(s): Tina Merritt, (410) 786-5233</p>	<p>Funding for Medicare contractors shall be made available through a supplemental budget request.</p>
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