

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-06 Medicare Financial Management	Centers for Medicare & Medicaid Services (CMS)
Transmittal 224	Date: August 2, 2013
	Change Request 8347

SUBJECT: Revisions and Deletions to the Internet Only Manual, Publication 100-06, Chapter 3, Overpayment (Section 50.3); Chapter 4, Debt Collection (Section 50 - 50.6 and 100.6.4) Related to Extended Repayment Schedules (ERS)

I. SUMMARY OF CHANGES: This CR includes changes to the ERS process that enhances management and procedure efficiency. It also updates policy language and standard practice.

EFFECTIVE DATE: September 3, 2013

IMPLEMENTATION DATE: September 3, 2013

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/revise 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
D	3/50.3/Extended Repayment Plan - Change of FI
R	4/50/Establishing an Extended Repayment Schedule (ERS) – (formerly known as an Extended Repayment Plan (ERP))
R	4/50.1/ERS Required Documentation – Physician is a Sole Proprietor
R	4/50.2/ERS Required Documentation – Provider is an Entity Other than a Sole Proprietor
R	4/50.3/ERS Approval Process
R	4/50.4/Sending the ERS Request to the Regional Office (RO)
R	4/50.5/Monitoring an Approved Extended Repayment Schedule (ERS) and Reporting Requirements
R	4/50.6/Requests From Terminated Providers or Debts that are Pending Referral to Department of Treasury
R	4/100.6.4/Extended Repayment Schedule (ERS) Requests Received on a RAC Initiated Overpayment

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:

**Business Requirements
Manual Instruction**

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

Attachment - Business Requirements

Pub. 100-06	Transmittal: 224	Date: August 2, 2013	Change Request: 8347
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SUBJECT: Revisions and Deletions to the Internet Only Manual, Publication 100-06, Chapter 3, Overpayment (Section 50.3); Chapter 4, Debt Collection (Section 50 - 50.6 and 100.6.4) Related to Extended Repayment Schedules (ERS)

EFFECTIVE DATE: September 3, 2013

IMPLEMENTATION DATE: September 3, 2013

I. GENERAL INFORMATION

A. Background: Overpayments are Medicare payments to a provider that are in excess of amounts due and payable under the statute and regulations. When an overpayment is determined, a demand letter is sent requesting repayment. A provider is expected to repay any overpayment promptly. If repaying an overpayment within 30 days would constitute a “hardship” for the provider, the provider may request an ERS at any time the overpayment is outstanding. Contractors and/or Regional Office (RO) staff shall review the request to determine if extending a repayment schedule is justified.

B. Policy: This change will delete chapter 3, section 50.3 in efforts to consolidate ERS policy into one section of the manual. It also clarifies, updates, and includes new instructions to chapter 4, sections 50 through 50.6 and section 100.6.4.

II. BUSINESS REQUIREMENTS TABLE

"Shall" denotes a mandatory requirement, and "should" denotes an optional requirement.

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	
8347.1	Contractors shall take any actions necessary to implement the attached instructions; primarily by ensuring that ERS requests are handled timely and all attached instructions are completed.	X	X	X	X	X	X	X					
8347.2	Contractors shall approve/disapprove ERS request for RAC identified overpayments.	X	X	X	X	X	X	X					
8347.3	Contractors shall now approve/disapprove an ERS request from 6 months up to 36 months and ROs up to 60 months.	X	X	X	X	X	X	X					
8347.4	Contractors shall review and evaluate an ERS request within 30 days of receipt.	X	X	X	X	X	X	X					

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	Shared-System Maintainers				Other
		A	B	H H H					F I S S	M C S	V M S	C W F	
8347.5	Contractors shall ensure that providers can review ERS information and instructions on their websites, and supply paper copies as requested.	X	X	X	X	X	X	X					
8347.6	Contractors shall not refund monies recouped during the review process. The recouped amounts shall be applied to the overpayment.	X	X	X	X	X	X	X					
8347.7	Contractors shall notify a provider of approval within 5 days of decision.	X	X	X	X	X	X	X					
8347.8	Contractors shall recoup ERS payments from a providers future Medicare payments, unless the contractor determines that there is a valid reason to send in a check.	X	X	X	X	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							
8347.9	MLN Article: A provider education article related to this instruction will be available at http://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/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 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	X	X	X	X	X	X	X			

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					
	supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.							

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): Deborah Miller, 410-786-0331 or deborah.miller3@cms.hhs.gov, Theresa Jones-Carter, 410-786-7482 or theresa.jones-carter@cms.hhs.gov

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:

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

Medicare Financial Management

Chapter 4 - Debt Collection

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 - 50.5 - Monitoring *an* Approved Extended Repayment *Schedule (ERS) and Reporting Requirements*
 - 100.6.4 - Extended Repayment *Schedule (ERS)* Requests Received on a RAC Initiated Overpayment

**50 - Establishing *an* Extended Repayment Schedule (ERS) -
(formerly known as an Extended Repayment Plan (ERP))
(Rev.224, Issued: 08-02-13, Effective: 09-03 13, Implementation: 09-03-13)**

For purposes of these instructions, the term Provider, Physician and other Supplier will be referred to as “Provider”.

For purposes of these instructions, the term Medicare Contractor will be referred to as “Contractor”.

For the purposes of these instructions, the following definitions apply; See §401.607(c)(2)(3).:

Hardship exists when the total amount of all outstanding overpayments (principle and interest) not included in an approved, existing repayment schedule is 10 percent or greater than the total Medicare payments made for the cost reporting period covered by the most recently submitted cost report, or for the previous calendar year for a non-cost report provider.

Extreme hardship exists when a provider qualifies as being in “hardship” as defined in the previous paragraph and the provider’s request for a 36 month to 60 month extended repayment schedule (ERS) is approved by Medicare

A provider is expected to repay any overpayment promptly. If repaying an overpayment within 30 days would constitute a “hardship” on the provider, a request for an ERS should be submitted immediately. However, the provider may request an ERS at any time the overpayment is outstanding, and the contractor shall review that request. Instructions on how to apply for an ERS shall be available on the contractors’ websites for provider reference. Medicare demand letters shall refer providers to the contractors’ website for detailed ERS instructions. Providers shall be given the option to request a paper copy.

Contractors shall evaluate whether a provider should be granted a repayment schedule of at least 6 months, up to 36 months. CMS Regional Office (RO) shall evaluate ERS requests up to 60 months (see 42 CFR 401-607(c)(2)(vi)). CMS Central Office (CO) shall evaluate ERS request as needed or requested. All ERS request shall be reviewed, evaluated, and determined within 30 days of receipt of the complete request. A complete request consist of all required documents listed in sections 50.1 and 50.2 of this chapter.

Providers that meet the “hardship” qualifications may request a 6 month ERS without having to submit financial documentation to the contractor. A provider that requests a 6 month repayment schedule, meets the “hardship” qualifications, does not fall within a scenario found in section 50.3(1), and elects not to submit financial documentation shall be considered for approval of a 6 month repayment schedule. Any provider qualifying for the 6 month ERS has the choice to reject the 6 month ERS and either pay off the debt in full or submit further documentation to request a

longer term. In addition, the contractor shall not prohibit any provider under the 6 month ERS “hardship” provision from applying for a longer ERS if it later desires to do so.

For all ERS requests, (with the exception of 6 month ERS requests), the provider shall submit financial documentation. A provider shall submit a signed written request to include the specific overpayment for which an ERS is being requested, the number of months requested, and the first payment with its request. The contractor shall determine eligibility qualifications and the duration of the ERS based on its review of the provider’s documentation.

If an ERS is approved and a provider misses two continuous installment payments the contractor shall begin recouping 100% of the total balance of the overpayment. The contractor shall work with providers that request a reinstatement of the ERS payments, if request is within a reasonable timeframe.

The contractor shall take the following steps when reviewing and establishing an ERS:

- 1. If a complete ERS request is received within 15 days of the date of the demand letter and first payment is included, contractors shall not begin 100% recoupment of payments, unless payments are being suspended or withheld for another outstanding overpayment or investigation. During review, the contractor may reduce recoupment to 30% of payments until a decision is made.*
- 2. If a complete ERS request is received after 15 days of the date of the demand letter and first payment is included, during the review, the contractor may reduce recoupment to 30% of payments until a decision is made.*
- 3. If a provider notifies the contractor in writing within 15 days of the demand letter date of its intention to submit a complete ERS, but cannot submit the documentation timely, the contractor may extend an additional 15 days (not to exceed 30 days from the demand letter date). If no documentation is received within 30 days of the demand letter date, the contractor shall close out the request and follow normal recoupment policy and procedure, at a recoupment rate of 100% of the provider’s payments.*
- 4. If the provider request an ERS after 30 days of the demand letter date and notifies the contractor in writing of its intention to submit a complete ERS, but cannot submit the documentation timely, the contractor may extend additional days (not to exceed 30 days from the request date). If no documentation is received within 30 days of the request date, and the recoupment rate was reduced, the contractor shall continue normal debt collection efforts.*
- 5. Contractors shall review and forward all recommended ERS request and ERS requests that are greater than 36 months to the RO for approval*

within 30 days of receiving a complete ERS request. If contractor needs additional time to review an ERS request, it shall receive written approval from the RO (this could include approval via email).

- 6. Providers shall continue to submit monthly payments until written approval/denial is received, if not, recoupment procedures will begin at a 100% rate.*
- 7. Contractors shall **NOT** refund any recouped payments that occurred while processing an ERS, but shall apply to the outstanding overpayment(s).*
- 8. If approved, the contractor shall establish an ERS to recover all or remaining balance of an overpayment. The ERS shall be established to recoup any accrued interest first before applying payments to principle. The contractor shall consider the date of the initial demand letter when determining the period of repayment.*
- 9. Approved ERS requests will run from the date of the initial demand letter. Contractors shall recoup monthly ERS payments unless the provider specifically request to send checks and the contractor agrees.*

50.1 – ERS Required Documentation --Physician is a Sole Proprietor
(Rev.224, Issued: 08-02-13, Effective: 09-03 13, Implementation: 09-03-13)

The contractor shall require that the provider (physician/sole proprietor) furnish (for ERS request of 6 months follow requirements 1-2; for ERS request over 6 months follow requirements 1-6):

- 1. **Signed Proposed Amortization Schedule** – CMS requires a signed request including a proposed monthly term and payment installment schedule, as a provider's agreement to pay its overpayment through installment payments.*
- 2. **Installment Payments** – CMS requires the provider to submit the first installment payment (per the proposed amortization schedule), along with any future payments due while under review.*
- 3. **CMS-379 Form** - a completed CMS -379 Form.*
- 4. **Financial Statements** - of Debtor.*
- 5. **Income Tax Return** - a copy of the physician's income tax filing for the most recent calendar year.*
- 6. **Loan Applications** – at least one letter from a financial institution denying the provider's loan request for the amount of the overpayment.*

CMS-379 FORM Required Fields:

The information requested on this form is necessary for the contractor to determine if the physician/sole proprietor will be able to make installment payments on a claim.

Questions 1 through 6:

- *ask for debtor name, date of birth, home address, phone number, name of spouse, spouses address if different from debtor, spouses date of birth.*

Questions 7 through 16:

- *ask about the debtors and spouse's employment background and income.*

Questions 17 and 18:

- *ask the amount, age, relationship, and the total monthly income of dependents. Questions 19 through 34:*
- *ask the debtor to list all assets, liabilities, pending legal matters, and foreseeable income. The signature of the debtor and the date signed are required to certify that the information provided is true that the debtor is aware of the penalties for false statements.*

50.2 - *ERS Required* Documentation– Provider is an Entity Other Than a Sole Proprietor

(Rev.224, Issued: 08-02-13, Effective: 09-03 13, Implementation: 09-03-13)

The contractor shall require that the provider (entity other than sole proprietor) furnish the following (for ERS request of 6 months follow requirements 1-2; for ERS request over 6 months follow requirements 1-14):

1. ***Signed Proposed Amortization Schedule*** – *CMS requires a signed request including a proposed monthly term and payment installment schedule, as a provider's agreement to pay its overpayment through installment payments.*
2. ***Installment Payments*** – *CMS requires the provider to submit the first installment payment (per the proposed amortization schedule), along with any future payments due while under review.*
3. ***Balance sheets*** - *the provider's most current balance sheet and the balance sheet for the last complete Medicare cost reporting period or the most recent fiscal year).*

NOTE: If the time period between the two balance sheets is less than 6 months (or the provider cannot submit balance sheets prepared by its accountant), it must submit balance sheets for the last two complete Medicare *cost* reporting periods (*for* providers that file a cost report) or *for the* last two complete fiscal years (*for providers that don't file a cost report*).

4. **Income statements** - related to the balance sheets. CMS *requires* that both the balance sheets and income statements include *similar agreement language*:

MISREPRESENTATION OR FALSIFICATION OF ANY INFORMATION CONTAINED IN THIS BALANCE SHEET OR INCOME STATEMENT MAY BE PUNISHABLE BY FINE AND/OR IMPRISONMENT UNDER FEDERAL LAW.

CERTIFICATION BY OFFICER OF ADMINISTRATOR OF PROVIDER(S)

(For physicians/suppliers, "CERTIFICATION BY OFFICER/OWNER OF DEBTOR(S))

I HEREBY CERTIFY that I have examined the balance sheet and income statement prepared by _____ and that to the best of my knowledge and belief, it is a true, correct, and complete statement from the books and records of the provider.

Signed

Officer or Administrator of
Provider(s) Title

Date

(For physicians/suppliers: Signed Officer or Owner of Debtor(s)
Title

5. **Statement of Sources and Application of Funds** - for the periods covered by the income statements (see Exhibit 2 for recommended format).
6. **Cash flow statements** - for the periods covered by the balance sheets (see Exhibit 3 for recommended format). If the date of the *provider's* request for an extended repayment schedule is more than 3 months after the date of the most recent balance sheet, a cash flow statement *shall be provided* for all months between that date and the date of the request.
7. **Projected cash flow statement** - *from the date of the request and covering the remainder of the fiscal year*. If fewer than 6 months remain, *the provider shall include* a projected cash flow statement *for* the following year. (See Exhibit 3 for recommended format.)
8. **List of restricted cash funds** - by amount as of the date of request and the purpose for which each fund is to be used. - *upon request*

9. **List of investments** - by type (stock, bond, etc.), amount, and current market value as of the date of the report. – *upon request*
10. **List of notes and mortgages payable** - by amounts as of the date of the report, and their due dates. – *upon request*

Schedule showing amounts - due to and from related companies or individuals included in the balance sheets. The schedule should show the names of related organizations/persons, *TIN and NPI numbers*. *It shall also* show where the amounts appear on the balance sheet-- such as Accounts Receivable, Notes Receivable, etc.

11. **Schedule showing types** - amounts of expenses (included in the income statements) paid to related organizations. The *schedule shall show* names of the related organizations, *TIN and NPI numbers*.
12. **Loan Applications** - Requests for extended repayment of 12 months or more; *have the provider* include at least one letter from a financial institution denying the *provider's* loan request for the amount of the overpayment.
13. **The percentage of occupancy (Part A Only)** - by type of patient (e.g., Medicare, Medicaid, private pay) and total available bed days for the periods the income statements *cover*.

All financial records must be for the business participating in the program. *It* should not be for the owner if the business is a partnership or a corporation. If *an outside facility manages* the financial aspects of the business, the provider *shall submit* individual financial records as well as the financial records of the outside facility.

50.3- ERS Approval Process

(Rev.224, Issued: 08-02-13, Effective: 09-03 13, Implementation: 09-03-13)

Contractors shall not approve any ERS if any of the following apply:

1. When there is reason to suspect-

- a) the provider may file for bankruptcy,*
- b) cease to do business,*
- c) discontinue participation in the program,*
- d) or when there is an indication of fraud or abuse committed against the program.*

2. When any of the following is not submitted with request-

- a) a signed request agreement,*
- b) all required documents,*

- c) *a proposed term and installment schedule*
- d) *and the first installment payment (per the proposed installment schedule).*

6 month ERS

The contractor shall review and confirm that none of the scenarios listed above apply. The contractor shall review 12 months of claims and payment history, and considers whether it supports full payment of the overpayment within 6 months. Once the contractor determines ability to repay, it shall examine the status of any outstanding overpayments, cost report settlements, advanced payments and accelerated payments. In the case any of these overpayments are excessive, in default or delinquent, the contractor shall determine if an ERS for 6 months is appropriate.

> 6 month ERS

The contractor shall review and confirm that none of the scenarios listed in the beginning of this section apply. The contractor shall analyze the financial data submitted by the provider to determine the availability of cash, marketable securities, accounts receivable, restricted and unrestricted endowment funds, or special funds, and considers whether these funds could be used for partial or full payment of the overpayment (see Exhibits 1-4 below).

The contractor shall review 12 months of claims and payment history, and considers whether it supports full payment of the overpayment within the requested months. Once the contractor determines ability to repay, it shall examine the status of any outstanding overpayments, cost report settlements, advanced payments and accelerated payments. In the case any of these overpayments are excessive, in default or delinquent, the contractor shall determine if an ERS is appropriate. The contractor shall reference and complete the ERS protocol sheet (see Exhibit 1) while reviewing and once a decision is made.

The *contractor* may alter the length of time when approving an ERS request, *based on its analysis of the provider's submitted documentation*. For example, if a provider requests 24 months, but the *contractor determines* that 12 months is sufficient, the *contractor* can deny the 24 month request and extend an offer of a 12 month repayment plan. If the *contractor* recommends approval of an ERS that is over 36 months in length, it *shall forward the* recommendation to the RO for approval *within 30 days of receipt of the completed request*.

The *contractor* may request additional financial information from the provider. *It may also request* financial information from the owner if the owner is requesting to submit personal capital to help repay the Medicare debt.

The *contractor* shall *provide a recommendation to the RO; shall deny or approve for terms under its authority; or shall request additional information from the provider within 30 days of receipt* of the completed ERS request.

If the provider is unable to furnish *all* of the required documentation *listed in 50.1 and 50.2 of this chapter*, a full *explanation shall be provided as to why this is the case. All documentation shall be received within 30 days of the demand letter (see § 50(2) of this chapter)*. Where the *provider's* explanation is reasonable and the documentation is otherwise acceptable, the contractor shall forward the request for extended repayment to the RO with its recommendation, *within 30 days receipt of the completed request. The contractor* shall comply with Chapter 4 §40 regarding recouping the overpayments pending receipt of the *provider's documentation* and the *contractor's decision* on the extended repayment request.

If the provider is able to furnish all of the required documentation listed in 50.1 and 50.2 of this chapter timely, the contractor shall forward the request for extended repayment to the RO with its recommendation within 30 days receipt of the completed request.

Once the *contractor* completes the requirements *for reviewing an ERS*, it shall make a decision regarding approval *or referral to the RO*.

If the contractor determines that the provider DOES meet the requirements for an ERS, it shall:

- a) notify the provider in writing, within 5 business days of making the decision.*
- b) include the amortization schedule showing principle and interest payment amounts and dates payments are due.*
- c) include approval information on the quarterly report (see § 50.4 of this chapter).*

If the contractor determines that the provider DOES NOT meet the requirements for an ERS, it shall:

- a) notify the provider in writing, within 5 business days of making the decision.*
- b) include the denial reason, in the notification.*
- c) include denial information on the quarterly report (see § 50.4 of this chapter).*

In the case the provider:

Rejects: If a provider rejects the approved terms, it shall submit a written and signed rejection notice to the contractor. In this case the contractor shall close out the request and follow normal recoupment policy and procedure, at a recoupment rate of 100% of the provider's payments.

Disagrees: If a provider request additional months due to hardship, the contractor shall elevate the request to the RO for further review. When needed, the RO may contact CO for additional guidance.

No Response: If the provider has not responded, the contractor shall proceed with the ERS as outlined in the approved schedule.

Exhibit 1 - Protocol for Reviewing Extended Repayment *Schedule* (ERS)

Provider _____
Provider Number _____
(*Part A* Only) Cost Report _____
FYE (*Part B* Only) Date(s) _____
Overpaid Overpayment _____
Amount \$ _____
Date of Demand Letter _____ No. of Months Requested for ERS _____
Date Request Received _____
Bankrupt __ *Terminated* __ *Suspended* __ *Revoked* __ *Fraud* __ *Documented* __
Decision Date (36 mos. or less) _____ (*36 or more*) _____ No. of Mos. Apprvd. _____
Date Referred to RO for Consideration _____
Name of *Contractor* _____ Date _____
Decision Reason _____

Reviewed By _____
Contractor Analyst

Supervisor Review _____ Date _____
Contractor Official

1. *Contractor shall* summarize the major reasons why the overpayment occurred.
2. *Contractor shall* review the documentation *the provider submits to determine whether it is complete*. (Refer to §50.1 and 50.2 for required documentation.) *Contractor* analyzes the financial data submitted (*for an ERS over 6 months*) to determine the availability of cash, marketable securities, accounts receivable, restricted and unrestricted endowment funds, or special funds, *and* considers whether these funds could be used for partial or full payment of the overpayment.
3. *Contractor shall* perform the following calculations by using the most current financial data *that the provider* submitted to determine *whether the provider* qualifies for an ERS.

a) Current Ratio

The current ratio relates the dollar value of current assets to the dollar value of current liabilities in order to evaluate an organization's ability to pay its current debt. Derived as:

$$\frac{\text{CURRENT ASSETS}}{\text{CURRENT LIABILITIES}} = \text{CURRENT RATIO}$$

This ratio defines the number of dollars held in current assets per dollar of current liabilities (e.g., it relates current assets to current liabilities).

Multiple coverage of liabilities is desirable. Generally, high values for the current ratio imply a good ability to pay short-term obligations and thus a low probability of technical insolvency.

Normally, the *contractor* considers a current ratio of 2 to 1 adequate to meet current liabilities. However, a *provider* with a current ratio (2 to 1 or greater) may have short-term payment problems if its current assets are not expected to be in liquid form (cash or short-term investments) in time to meet the expected payment dates of the current liabilities.

b) Quick Ratio

A liquidity ratio which measures the number of dollars of liquid assets (cash plus marketable securities plus accounts receivable) available per dollar of current liabilities. Derived as:

$$\frac{\text{CASH} + \text{MARKETABLE SECURITIES} + \text{ACCOUNTS RECEIVABLE}}{\text{CURRENT LIABILITIES}}$$

This is a more stringent measure of liquidity than the current ratio. The *contractor* uses it to determine the adequacy of cash, accounts receivable, and marketable securities to pay current liabilities.

Normally, the *contractor* considers a quick ratio of 1.5 to 1 adequate to meet current liabilities. However, a *provider* with a high quick ratio may have short-term payment problems if *it has* excessive amounts of slow-paying or doubtful accounts receivable which it may not turn into cash soon enough to meet maturing current liabilities. Conversely, a low quick ratio may not imply a future liquidity crisis if current liabilities include terms that will not require payment from existing current assets.

4. The *contractor* for institutional *providers shall* determine *whether* there are any settlements (interim rate adjustments or cost report) in process which could be used to offset the outstanding overpayment.
5. Based upon the previous steps, the *contractor shall* summarize whether or not it *should approve or deny, or recommend approval* of a repayment plan. If *it recommends* approval, it indicates the number of months, how it calculated the monthly payment and the reason(s) for the approval. If *it recommends* denial, it indicates the reason(s).

Exhibit 2 - Statement of Source and Application of Funds Period Covered

STATEMENT OF SOURCE AND APPLICATION OF FUNDS FOR THE PERIOD _____

Funds Provided by:

Operations - Net income for the period	\$XXXX
Add: Charges not affecting working Capital (depreciation, amortization, etc.)	XXXX \$XXXX
Less: Operating revenues not affecting working capital	XXXX
Total fund provided by Operation	\$XXXX
Long term loans	XXXX
Unrestricted cash donations	XXXX
Other (identify)	XXXX
Total Funds Provided	\$XXXX

**STATEMENT OF SOURCE AND APPLICATION OF
FUNDS FOR THE PERIOD _____**

Funds Applied to:

Retirement of long-term obligations
(mortgages, notes, bonds, etc.)

\$XX

XX Purchase of equipment

XXXX Purchase of land

XXX

X Dividends to stockholders

XXXX Other (identify)

XXXX Total Funds Applied

-

XXXX

Net Increase (Decrease)
in Working Capital

*\$XXXX

---- Working Capital* (end of period) (date) XXXX

Less: Working Capital* (beginning of
period) (date)

-XXXX

Net Increase (Decrease)
in Working Capital

*\$XXXX

*Current Assets less Current Liabilities

Exhibit 3 - Cash Flow Statement Period Covered

CASH FLOW STATEMENT FOR THE PERIOD _____

Cash provided by:

Operations (net) (Schedule A) (See Exhibit 4)	\$XXXX
Cash donations (unrestricted)	XXXX
Long-term borrowing	XXXX
Investment earnings (cash dividends, interest)	XXXX
Sale of long-term investments	XXXX
Sale of equipment	XXXX
Issuance of bonds	XXXX
Decrease in current assets – other than Accounts Receivable, Prepaid Expenses, and Inventory	XXXX
Increase in current liabilities – other than Accounts Receivable, Prepaid Expense, and Inventory	XXXX
Others	<u>XXXX</u>
Total Cash Provided	\$XXXX

**CASH FLOW STATEMENT
FOR THE PERIOD _____**

Cash applied to:

Purchase of equipment		\$XXXX
Payment of long-term debt		XXXX
Purchase of long-term investments		
Payment of dividends		
Purchase of land and/or building (purchase price less mortgage, capital stock and non- cash assets given toward purchase)		XXXX
Increases in current assets - other than Accounts Receivable, Prepaid Expenses, and Inventory		XXXX
Decreases in current liabilities – other than Accounts Payable and Prepaid Income		<u>XXXX</u>
Other		XXXX
Total Cash Applied		<u>XXXX</u>
Increase (Decrease) in Cash		<u>\$XXXX</u>

- - Cash at end of period (date)		\$XXXX
Less: Cash at beginning of period (date)		<u>XXXX</u>
Increase (Decrease) in Cash		<u>XXXX</u>

**Exhibit 4 - Projected Cash Flow Statement Cash from Operations
(Schedule A) Period Covered**

**PROJECTED CASH FLOW
CASH FROM OPERATIONS (SCHEDULE A)**

Net Income (or Net Loss)

\$XXXX Increases: Depreciation expense

\$XXXX

Loss from sale of equipment XXXX

Decrease in net Accounts Receivable XXXX
Decrease in Prepaid Expense XXXX

Decrease in Inventory XXXX
Increase in Accounts Payable XXXX

Increase in Prepaid Income XXXX

Others XXXX
XXXX Gross Cash
from
Operations

Decreases: Gain from sale of equipment

\$XXXXX Increase in net Accounts Receivable

XXXXX Increase in Prepaid Expense

XXXXX Increase in Inventory

XXXXX Decrease in Accounts Payable

XXXXX Decrease in Prepaid Income

XXXXX

Others
XXXX Net Cash from Operations

XXXX
\$XXXX
\$XXXX

Requirements to be Completed before approval or denial	<i>6 months</i>	<i>>6 months to 36 months</i>	<i>>36 months to 60 months – RO or CO ONLY</i>
<i>Received and Reviewed <u>all</u> required documentation</i>	X	X	X
<i>Received and Applied submitted payments while under review</i>	X	X	X
Complete ERS Protocol (See Exhibit 1)		X	X
Analyzed Financial Statements		X	X
Reviewed last 12 months Claim History	X	X	X
<i>Reviewed last 12 months Payment History</i>	X	X	X
<i>Reviewed status of Additional Outstanding Overpayments</i>	X	X	X
<i>Confirmed No Active Bankruptcy</i>	X	X	X
<i>Confirmed Enrollment Status – Terminated, Revoked, Suspended</i>	X	X	X
<i>Reviewed status of Outstanding Advance/Accelerated Payments</i>	X	X	X
<i>Part A- Reviewed status of Outstanding Cost Report Settlements</i>	X	X	X
Confirmed No Outstanding Fraud Investigations	X	X	X
Sent to RO/CO for additional approval			X

50.4 – Sending the ERS Request to the Regional Office (RO)
(Rev.224, Issued: 08-02-13, Effective: 09-03 13, Implementation: 09-03-13)

After the contractor has reviewed the provider's supporting documentation and determines that a referral is needed or the request is over 36 months, it shall send its recommendation to the RO for consideration of approval. The contractor shall submit the following:

1. *A copy of all information the provider submitted.*
2. *The date of the initial contact between the contractor and the provider regarding the overpayment.*
3. *Copies of all correspondence, including demand letters and the complete ERS request. Also include notes of telephone conversations, if any.*
4. *Part A-*The amount of the overpayment; cost report year in which it occurred; dates and amounts of any repayments; dates and amounts of payments (interim or retroactive) held in account.
5. *Part B-*The amount of the overpayment, claim paid date, dates and amounts of any repayment.
6. *Part A-*The cost reports in which the overpayments appeared or were found. The contractor shall furnish any information it has on the financial status of related organizations, as determined through audits and other sources such as mercantile reports.
7. *Documentation reflecting current enrollment status along with any bankruptcy, fraud and abuse and other litigation cases.*
8. *Amount repaid to date on pending ERS request along with current status on any additional outstanding overpayments.*
9. *The provider's proposed repayment plan and rationale;*
10. *The contractor's recommendation and supporting rationale including a completed ERS protocol (See Exhibit 1) and the last twelve months claim and payment history.*
11. *The contractor's opinion, based on experience, as to the reliability of the financial data.*

The RO may grant a provider an ERS of:

- a) *7 months up to 36 months if repaying an overpayment in full will constitute a "hardship" as defined in section 50 of this chapter.*
- b) *37 months up to 60 months if repaying an overpayment in full will constitute an "extreme hardship" as defined in section 50 of this chapter. See also 42 CFR 401-607(c)(2)(vi).*

If the contractor receives no response from the RO in 30 days, the contractor shall follow up with the RO for a status update.

NOTE: *An ERS shall be repaid through recoupment unless a provider supplies a valid reason why the ERS shall not be repaid through recoupment.*

50.5 - Monitoring *an* Approved Extended Repayment *Schedule (ERS)* and Reporting Requirements
(Rev.224, Issued: 08-02-13, Effective: 09-03 13, Implementation: 09-03-13)

After *approval of an ERS, the contractor* shall continue to monitor the case to ascertain whether *recovery* is being effectuated as contemplated. If it becomes apparent that the repayment plan will not result in a liquidation of the indebtedness within the time period contemplated, *the contractor* shall take further action, preferably the renegotiation of the amount of installment payments so that the overpayment will be recouped within the time period originally agreed upon. The *contractor shall* report to the RO any significant changes in the *provider's* financial condition or any indication that the provider misstated or failed to disclose pertinent facts that may raise a question of its ability to *liquidate* the overpayment. The *contractor* shall notify the RO *within 5 business days* and send a detailed written statement of the problem.

ERS Reporting:

Contractors shall report data on all approved and denied ERS request to their RO quarterly. The RO shall direct these reports to CO as needed or requested. The preferred format would be in an excel spreadsheet with 3 tabs: Approved, Denied and Pending.

This data shall include:

- 1. Provider name*
- 2. Provider number*
- 3. Provider Status*
- 4. Provider Type*
- 5. AR number*
- 6. FYE Date*
- 7. Original Overpayment Amount (breaking out principle and interest)*
- 8. Overpayment Description*
- 9. Demand Letter Date*
- 10. 935 Appeal Y/N*
- 11. Fraud Investigation Pending Y/N*
- 12. ERS Receipt Date*
- 13. ERS Status (approved, denied, pending, referred to RO)*
- 14. Required Documentation Receipt Date*
- 15. Underpayment Amount Applied to ERS*
- 16. Underpayment Amount Refunded to Provider*
- 17. Recoupment Amount Applied to ERS*
- 18. Length Requested*
- 19. Length Approved*
- 20. Date Additional Information Requested*

21. *Date Additional Information Received*
22. *Date Referred to RO*
23. *Contractor Referral Decision Submitted to RO (approve or deny)*
24. *Final Decision*
25. *Decision Date*
26. *Denial reason*
27. *ERS Monthly Payment*
28. *ERS Term Dates*
29. *Interest Rate*
30. *ERS Loan Number*
31. *Offset in Place Y/N*
32. *Paid In Full Date*
33. *ERS Default Date*
34. *Delinquent Payment Collection Amount*
35. *ITR Sent Date*
36. *Referred to Treasury*
37. *ERS Revised Terms*
38. *Comments*

50.6 - Requests from Terminated Providers or Debts that are Pending Referral to Department of Treasury

(Rev.224, Issued: 08-02-13, Effective: 09-03 13, Implementation: 09-03-13)

When approving/denying an ERS request the *contractor* is making a subjective decision concerning the provider's ability to repay. All complete ERS requests shall be reviewed *by the contractor*. This includes ERS requests from terminated providers and requests received for debts where *the contractor has already sent* an Intent to Refer (ITR) letter.

If an overpayment cannot be repaid in full timely, and the contractor has approved an ERS, it is preferred to recoup payments from present and future claims payments. If recoupment of payments is not possible, the contractor shall accept monthly checks in the agreed amount. If the provider misses continuous two payments (recouped or by check), the contractor shall pursue payment in full.

If denying an ERS request will result in the immediate referral of *an active* provider to the Department of Treasury, *the contractor shall contact* the RO to determine if an alternative exists.

NOTE: The requirements set forth in the Debt Collection Improvement Act of 1996 still apply.

100.6.4 - Extended Repayment *Schedule (ERS)* Requests Received on a RAC initiated Overpayment

(Rev.224, Issued: 08-02-13, Effective: 09-03 13, Implementation: 09-03-13)

The RAC shall offer the provider the ability to repay the overpayment through an ERS. *If the RAC receives and ERS request from a provider, it shall forward the request to the appropriate AC or MAC for processing.*

If the AC or MAC receives an *ERS* from a provider for a RAC initiated overpayment, *it shall inform* the appropriate contact at the RAC *and upload a transaction file into the RAC Data Warehouse for each ERS collection received. The AC or MAC shall refer to Chapter 4 §50 for ERS processing instructions.*

NOTE: The point of contact information for the *ERS* at the RAC location will be given in a separate instruction.