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| CMS Manual System | Department of Health & Human Services (DHHS) |
| Pub 100-20 One-Time Notification | Centers for Medicare & Medicaid Services (CMS) |
| Transmittal 233 | Date: AUGUST 4, 2006 |
| | Change Request 3878 |

Subject: Enhance the Multi Carrier System (MCS) to avoid duplicate payments when a full claim adjustment is performed: Analysis and Design Phase

I. SUMMARY OF CHANGES: MCS will be enhanced to avoid duplicate payments when a full claim adjustment is performed. This is a two phased Change Request. The first phase is one of analysis and design and is included in the January 2007 release. The specifications that result will be implemented through phase 2 which will be part of the April 2007 release.

New / Revised Material

Effective Date: April 1, 2007

Implementation Date: For analysis and design for the MCS Shared System January 2, 2007 and full implementation April 2, 2007

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:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2007 operating budget.

IV. ATTACHMENTS:

One-Time Notification

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

Attachment – One-Time Notification

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|-------------|------------------|----------------------|---------------------|
| Pub. 100-20 | Transmittal: 233 | Date: August 4, 2006 | Change Request 3878 |
|-------------|------------------|----------------------|---------------------|

SUBJECT: Enhance the Multi Carrier System (MCS) to avoid duplicate payments when a full claim adjustment is performed: Analysis and Design Phase

Note: This is a two phased Change Request. The first phase is one of analysis and design and is included in the January 2007 release. The specifications that result from this phase will be implemented through phase 2 which will be part of the April 2007 release.

I. GENERAL INFORMATION

A. Background: In the MCS system, when a claim is adjusted because of an overpayment, an accounts receivable (A/R) is created and a demand letter sent. When a claim is adjusted because of an underpayment, payment is automatically sent to the provider.

If the claim adjustment (that created the overpayment) later turns out to be incorrect, the contractor must adjust the claim again. This could happen for many reasons. The two most common are: problems with the original overpayment identification and an appeal decision favorable to the provider. When the claim adjustment occurs a second time (to allow for correct history) the MCS system will automatically issue payment to the provider. In many cases, this second payment is duplicative. This then requires an offset from the provider to collect the duplicate payment.

MCS currently uses a void and replace strategy for performing adjustments to overpayment adjustments. The MCS System Maintainer, with CMS and the MCS user group, designed full claim adjustment to act as a full claim void and replace in accordance with the collective understanding of the requirements for HIPPA. This design was developed using a process that if an adjustment creates an overpayment, an accounts receivable is created and a subsequent adjustment assumes that the accounts receivable has either been recouped or will be recouped.

Example:

- A claim is processed and \$100 is paid to the Provider.
- It is determined that there is an overpayment of \$100.
- The claim is adjusted to show the denial (-\$100) and an A/R for \$100 is created.
- The claim payment total from the 1st adjustment is \$0 = \$100 - \$100.
- The Accounts Receivable has not yet been collected and the Provider appeals.
- The appeal decision is in the Provider's favor.
- A second adjustment is performed to show the claim as paid. (+ \$100)
- The 2nd adjustment calculates its payment based on the previous adjustment.
- Since the previous adjustment reads \$0.00 (because the claim was denied) the 2nd adjustment calculated a payment of \$100 to the Provider.
- The claim payment total from the 2nd adjustment is \$100 = \$0 + \$100
- A \$100 check is issued because MCS cannot suppress the check.
- Since the A/R was never collected, the Provider has been paid twice.

Several alternative approaches to resolve this problem have been proposed. There have been extensive comments concerning the relative merits of these alternative approaches through the POC review and rereview procedures.

B. Policy: The method selected to enhance MCS to avoid duplicate payments must be compatible with HIGLAS functionality. It also should result in cost savings as the current process to adjust a claim, issue the check and take the duplicate payment back by offset is all a manual process by the Medicare contractor.

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 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 | |
| 3878.1 | MCS System Maintainers shall conduct an analysis on how best to enhance the MCS system to avoid duplicate payments when a full claim adjustment is performed, to evaluate alternative approaches and associated impacts, and to identify all required system changes to implement the approach selected in the April 2007 release. | | | X | | | X | | | HIGLAS |
| 3878.2 | MCS System Maintainers shall design an approach that meets the following minimum requirements: | | | X | | | X | | | HIGLAS |
| 3878.2.1 | MCS shall have the ability to suppress payments when a full claim adjustment is performed. | | | X | | | X | | | System Changes |
| 3878.2.2 | The full claim adjustment shall correct MCS history. | | | X | | | X | | | MCS current processes updates claim history |
| 3878.2.3 | The full claim adjustment shall send a corrected claim to the Common Working File (CWF). | | | | | | | | X | MCS current processes updates CWF history. |

| Requirement Number | Requirements | Responsibility (“X” indicates the columns that apply) | | | | | | | | | |
|--------------------|---|---|-------------|---------------------------------|-----------------------|---------------------------|-------------|-------------|-------------|--|--|
| | | F I | R 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 | | |
| 3878.2.4 | The full claim adjustment shall correct the National Claims History (NCH). | | | | | | X | | | MCS current processes updates NCH claim history. | |
| 3878.3 | <p>Factors and impacts that shall be addressed in the analysis include, but are not limited to:</p> <ul style="list-style-type: none"> -HIGLAS Functionality (comparability to ensure accuracy of payments sent to HIGLAS and to minimize conversion issues); - Chief Financial Officer (CFO) reporting; - 835 interface and MCS remittance; - Partial adjustments (adjustments are not always full amounts to the entire claim); - Provider impact (to clarify rather than confuse providers in determining how recoupments should be applied to which patient); - Carrier workload (decrease need for manual processes); - Payments to beneficiaries; and - Associated interest issues. | | | X | | | X | | | HIGLAS | |
| 3878.4 | MCS System Maintainers shall participate in twice a month meetings with CMS and the MCS user group (or an alternative working group with Carrier representation) to ensure the analysis addresses Carriers’ concerns and implementation issues. | | | X | | | X | | | | |

| 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 | |
| 3878.5 | MCS System Maintainers shall provide a written analysis document clearly defining the system changes that will have to be coded in the April 2007 release to implement the MCS enhancements. This document shall be delivered no later than October 1, 2006. | | | | | | 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 for the Analysis and Design Phase. | | | | | | | | | |

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

| X-Ref Requirement # | Instructions |
|---------------------|--|
| 3878.3 | In designing a preferred approach, the MCS System Maintainers should consider the comments and issues raised by commentators through the POC review process. |

B. Design Considerations:

| X-Ref Requirement # | Recommendation for Medicare System Requirements |
|---------------------|---|
|---------------------|---|

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: None.

E. Dependencies: N/A

F. Testing Considerations: N/A

V. SCHEDULE, CONTACTS, AND FUNDING

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|--|--|
| <p>Effective Date*: April 1, 2007</p> <p>Implementation Date: For analysis and design for the MCS Shared System January 2, 2007 and full implementation April 2, 2007</p> <p>Pre-Implementation Contact(s): Nancy Braymer, Nancy.Braymer@cms.hhs.gov, (410) 786-4323 Connie Leonard, Connie.Leonard@cms.hhs.gov (410) 786-0627</p> <p>Post-Implementation Contact(s): Nancy Braymer, Nancy.Braymer@cms.hhs.gov, (410) 786-4323 Connie Leonard, Connie.Leonard@cms.hhs.gov (410) 786-0627</p> | <p>No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2007 operating budgets.</p> |
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