

# CMS Manual System

## Pub 100-06 Medicare Financial Management

Transmittal 77

Department of Health &  
Human Services (DHHS)

Center for Medicare &  
Medicaid Services (CMS)

Date: SEPTEMBER 16, 2005

Change Request 3964

**SUBJECT: Non-Medicare Secondary Payer (Non-MSP) Debt Referral and Debt Collection Improvement Act of 1996 (DCIA) Activities**

**I. SUMMARY OF CHANGES:** These instructions revise and supersede instructions contained in CR 1683, Accelerated Referral of Non-MSP Active Delinquent Debt to the Debt Collection Center (DCC) for Cross Servicing and/or Treasury Offset Program (TOP). Medicare Secondary Payer (MSP) debt referral instructions are contained in Publication 100.5, Chapter 7, Section 60. HIGLAS contractors will implement these instructions in October 2005, with the October HIGLAS release update. This instruction does not apply to Non-MSP beneficiary debts. These debts will be addressed in future instructions.

**NEW/REVISED MATERIAL:**

**EFFECTIVE DATE: October 17, 2005**

**IMPLEMENTATION DATE: October 17, 2005**

*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
N	4/Table of Contents
N	4/70/Non-Medicare Secondary Payer (Non-MSP) Debt Referral Instructions and Debt Collection Improvement Act of 1996 (DCIA) Activities
N	4/70.1/Background
N	4/70.2/Cross Servicing
N	4/70.3/Treasury Offset Program (TOP)
N	4/70.4/Definition of Delinquent Debt

N	4/70.6/Exemptions to Referral
N	40/70.7/Debt to be Referred
N	4/70.7.1/Delinquent Non-MSP Fiscal Intermediary Debt, Including Debt on the Provider Overpayment Reporting (POR) System
N	4/70.7.2/Delinquent Non-MSP Medicare Carrier Debt, Including Debt on the Physician/Supplier Overpayment Reporting (PSOR) System
N	4/70.7.5/Delinquent Non-MSP Debt Previously Ineligible for Referral
N	4/4/70.8/DCIA Language/Intent to Refer Letter (IRL)
N	4/70.9/Response to “Intent to Refer” Letter (IRL)
N	4/70.10/Provider Overpayment Reporting (POR) System Updates
N	4/70.11/Physician/Supplier Overpayment Reporting (PSOR) System Updates
N	4/70.13/Cross Servicing Collection Efforts
N	4/70.14/Actions Subsequent to DCS Input
N	4/70.14.1/Transmission of Debt
N	4/70.14.2/Update to DCS After Transmission
N	4/70.15/Financial Reporting for Debt Referred
N	4/70.15.1/Financial Reporting for Non-MSP Debt

### **III. FUNDING:**

No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2005 operating budgets.

### **IV. ATTACHMENTS:**

Business Requirements

Manual Instruction

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

# Attachment - Business Requirements

Pub. 100-06	Transmittal: 77	Date: September 16, 2005	Change Request: 3964
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**SUBJECT: Non-Medicare Secondary Payer (Non-MSP) Debt Referral Instructions and Debt Collection Improvement Act of 1996 (DCIA) Activities**

## I. GENERAL INFORMATION

**A. Background:** These instructions revise and supercede instructions contained in CR 1683, Accelerated Referral of Non-MSP Active Delinquent Debt to the Debt Collection Center (DCC) for Cross Servicing and/or Treasury Offset Program (TOP).

**B. Policy:** Debt Collection Improvement Act of 1996 (DCIA)

## 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	
3964.1	Medicare contractors shall identify delinquent debt eligible for referral. Per Debt Collection Improvement Act of 1996 (DCIA) referral criteria, "delinquent" is defined as debt: (1) that has not been paid (in full) by the date specified in the agency's initial written notification (i.e., the agency's first demand letter), unless other payment arrangements have been made, or (2) that at any time thereafter the debtor defaults on a repayment agreement.	X	X	X	X					

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	
3964.2	<p>Medicare contractors shall identify Non-Medicare Secondary Payer (Non-MSP) debt ineligible for referral, including those: (1) in bankruptcy status, (2) in an appeal status (pending at any level), (3) at the Department of Justice, (4) where the debtor is deceased, (5) Federal entity debt where the debtor is a Federal agency, (6) where the principal balance is less than \$25, or (7) debt under fraud and abuse investigation where the investigating unit has provided the contractor with specific instructions not to attempt collection.</p> <p>Treasury has also approved a waiver for the mandatory referral of unfiled cost report debt for cross servicing and/or TOP and for debts less than \$100 that do not have a Taxpayer Identification Number (TIN).</p>	X	X	X	X					
3964.3	<p>Medicare contractors shall send the intent to refer letter (IRL) in accordance with Financial Management Manual, Publication 100-06, chapter 4, section 20.1 for Fiscal Intermediaries and section 80.2 for Carriers, but not later than when the debt is 90 days delinquent. The intent to refer letter shall be the final demand letter, or the last letter the contractor routinely sends to debtors to request payment. This letter may be mailed before the debt is 90 days delinquent if the contractor believes that sending this letter sooner will enhance collection, provided the contractor has placed the debt on recoupment for at least 30 days.</p>	X	X	X	X					

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			
3964.4	Medicare contractors shall send the IRL to debts eligible for receiving demand letters but not currently eligible for referral if the contractor believes the debt may become eligible for referral.	X	X	X	X					
3964.5	Medicare contractors shall monitor debt previously ineligible for referral that becomes eligible for referral. When the status of the debt changes to an eligible status, Medicare contractors shall determine if the IRL has been sent. If the IRL has been sent, Medicare contractors shall input the debt to the Debt Collection System (DCS) within ten calendar days of notification of the status change making the debt eligible for referral. If the IRL has not been sent, Medicare contractors shall send the IRL within ten calendar days of the notification of the status change making the debt eligible for referral.	X	X	X	X					
3964.6	Medicare contractors shall incorporate required language in the IRL, which for Non-MSP debt is listed in Financial Management Manual, Publication 100-06, chapter 4, section 70.90, Exhibit 1 – DCIA Language. The IRL shall be sent regardless of previous collections on the debt, unless there is an approved current extended repayment agreement in effect. When appropriate, the IRL shall include the amount of interest due, along with the date of the last interest accrual. Medicare contractors may add wording to this letter that shall provide additional instructions or clarification regarding the overpayment. Medicare contractors should use their own language in the opening paragraphs to explain the reason for the overpayment and the current balance, including interest accrued and the interest rate.	X	X	X	X					

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			
3964.7	The IRL shall be signed by the Medicare contractor official who routinely signs the demand letters.	X	X	X	X					
3964.8	Medicare contractors shall respond to any inquiries received as a result of the IRL within 15 calendar days of receipt. If the status of the debt changes based on the communications with the debtor, Medicare contractors shall update all appropriate systems timely.	X	X	X	X					
3964.9	Medicare contractors shall provide the debtor with 60 calendar days to respond to the IRL. If, by day 61 the debtor has not responded, Medicare contractors shall input the debt to DCS. The debt shall be entered to the DCS no later than 70 calendar days from the date of the IRL. Debt for which less than full payment was received, or there is a current repayment agreement that is in default, are eligible for referral for cross servicing and/or Treasury Offset Program (TOP) and shall be entered into the DCS. Where there has been a partial recoupment or collection, but the collection is not the result of a current extended repayment agreement, the balance (if principal balance is greater than or equal to \$25) shall be entered to the DCS and shall be referred for cross servicing and/or TOP. Debts that are ineligible for referral or exempt from referral to cross servicing and/or TOP shall not be entered to the DCS.	X	X	X	X					

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	
3964.10	Before inputting a debt to DCS for cross servicing, Medicare contractors shall first determine if the debt should be referred to the Regional Office (RO) for litigation rather than referral to Treasury for cross servicing. If it is determined that the debt should be litigated, contact the RO for further action.	X	X	X	X					
3964.11	If the IRL is returned as undeliverable, Medicare contractors shall follow established procedures to locate a correct address. (See chapter 4, sections 10 and 80.) If a correct address is obtained, the IRL shall be sent to that address with a new re-issued date. If the IRL is returned as undeliverable and a correct address cannot be located, Medicare contractors shall input the debt to DCS within 10 calendar days of return of the letter.	X	X	X	X					
3964.12	<p>For Fiscal Intermediary debt on the Provider Overpayment Reporting (POR) system: When the IRL is sent, Medicare contractors shall change the status code on the POR to “AQ” (Pending Referral for Cross Servicing and/or TOP). The location code on the POR shall remain “INT”. The CMS Central Office (CO) shall use these codes to monitor the progress of attaining the projected debt referral goals. For debt in Currently Not Collectible (CNC) status code “01”, the status code shall be changed to “03” (CNC- DCIA letter sent) when the IRL is sent.</p> <p>If the debtor requests an extended repayment schedule (ERS) after the IRL was sent, and ERS is being negotiated or is approved, or if payment in full is received or the debtor presents information that would exempt the debt</p>	X	X							

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					
	<p>from cross servicing and/or TOP, Medicare contractors shall change the status code in the POR to reflect the new status of the debt.</p> <p>Medicare contractors are responsible for all updates to the POR for debt at their locations.</p>									
3964.13	<p>For Medicare Carrier debt on the Physician/Supplier Overpayment Reporting (PSOR) system: When the intent to refer letter is sent, Medicare contractors shall change the status code on the PSOR to “Q” (Pending Referral for Cross Servicing and/or TOP). The location code on the PSOR will remain “CAR”. The CMS CO will use these codes to monitor the progress of attaining the projected debt referral goals. For debt in CNC status code “1” the Medicare contractors shall change the status code to “3” (CNC- DCIA letter sent) when the IRL is sent.</p> <p>If the debtor requests an ERS after the IRL was sent, and ERS is being negotiated or is approved, or if payment in full is received or the debtor presents information that would exempt the debt from cross servicing and/or TOP, Medicare contractors shall change the status code in the PSOR to reflect the new status of the debt.</p> <p>Medicare contractors are responsible for all updates to the PSOR for debt at their locations.</p>			X	X					

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	
3964.14	<p>Medicare contractors, at the time of input to DCS, shall determine IF the Non-MSP debt is currently being recouped through Medicare (claims payments/withhold), and if the anticipated recoupments shall collect the debt in full within three years. If the contractor anticipates that the debt will be collected in full within three years of delinquency by Medicare recoupment, the debt will not be referred to a Private Collection Agency (PCA) as part of the cross servicing collection process. A specific debt type has been established in the DCS for this purpose. The debt type will alert Treasury that the debt is being recouped through Medicare and should not be forwarded to a PCA. This determination will eliminate many duplicate collections. Specific instructions are found in the DCS User Guide.</p>	X	X	X	X					
3964.15	<p>Once the debt is referred for cross servicing, active collection efforts by the Medicare contractors and/or CMS shall cease. However, debt referred for cross servicing and/or TOP shall still be maintained in the Medicare contractors’ internal systems for financial reporting, interest accrual, and possible internal recoupment. Medicare contractors shall be responsible for updating all the applicable systems, including the DCS for the change of the status and the balance of the debt.</p>	X	X	X	X					

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	
3964.16	<p>The Medicare contractors shall receive a Transmission Report from CMS when the debts are transmitted to Treasury. Medicare contractors shall review the Transmission Report to ensure that debts transmitted remain valid and amounts are accurate. Interest amounts listed on the report are the amounts that were entered in the DCS and shall not be updated in the DCS for any interest accruals since input. The Medicare contractors shall verify the report, annotating any changes to the information on the report. Changes for additional interest accruals are not required. The return of the report to CMS shall be the Medicare contractor’s certification that the report has been verified and the debts in DCS have been updated. The report shall be returned to CMS within 10 calendar days of Contractor’s receipt of the report. Medicare contractors shall use this report to update the DCS and the POR and PSOR, if applicable, with the new status and location of the debt.</p>	X	X	X	X					
3964.17	<p>Once a debt has been referred for cross servicing:</p> <p>If the Medicare contractors discover an error, collect (by check or recoupment), or receive information establishing that the debt is ineligible for cross servicing (i.e., bankruptcy, appeal), the Medicare contractors shall update their internal records, the DCS, and the POR/PSOR, if applicable, within ten days of the notification of the change to the debt. The CMS CO shall notify Treasury or its designated Debt Collection Center (DCC) and recall the debt due to a full collection or shall report partial collection information and changes. Medicare</p>	X	X	X	X					

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	
	<p>contractors no longer need to send the Recall/Adjustment Form to CMS CO to recall the debt from Treasury. The updates in the DCS made by Medicare contractors will be automatically transmitted to Treasury or its DCC.</p> <p>If Treasury or the DCC discovers an error, collects on the debt, or receives information, that would render the debt ineligible for cross servicing, Treasury or its DCC shall notify CO who, in turn, shall notify the Medicare contractors via the Treasury Debt Management Services Action Form (TAF) or the Collection/Reconciliation Acknowledgement Form (CRAF) Spreadsheet. Medicare contractors shall update their internal records, the DCS, and the POR/PSOR, if applicable. The TAF or CRAF spreadsheet shall be returned to CMS within established timeframes.</p> <p>If Treasury or the DCC receives a dispute from the debtor or obtains additional information regarding the debt that requires CMS or Medicare contractor intervention, a TAF shall be sent to CMS. The CMS will maintain a report of all debt in dispute and forward the information to the Medicare contractors for review and decision. The Medicare contractors shall have 30 calendar days to respond to Treasury and shall copy CMS RO and CO on their response. The DCS status code shall be updated to “XX” for all Non-MSP disputed cases and CMS CO shall track these codes for timely disposition by the Medicare contractors.</p>									



#### IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

##### A. Other Instructions:

X-Ref Requirement #	Instructions

##### B. Design Considerations:

X-Ref Requirement #	Recommendation for Medicare System Requirements

##### C. Interfaces:

##### D. Contractor Financial Reporting /Workload Impact:

##### E. Dependencies:

##### F. Testing Considerations:

#### V. SCHEDULE, CONTACTS, AND FUNDING

<b>Effective Date*:</b> October 17, 2005 <b>Implementation Date:</b> October 17, 2005 <b>Pre-Implementation Contact(s):</b> D. Parzynski, 410-786-5435, Deborah.parzynski@cms.hhs.gov <b>Post-Implementation Contact(s):</b> D. Parzynski, 410-786-5435, Deborah.parzynski@cms.hhs.gov	<b>No additional funding will be provided by CMS; Contractor activities are to be carried out within their FY 2005 operating budgets.</b>
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\*Unless otherwise specified, the effective date is the date of service.

# Medicare Financial Management

## Chapter 4 - Debt Collection

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*(Rev. 77, 09-16-05)*

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***Exhibit 1- Intent to Refer Letter (IRL)***

***70 - Non-Medicare Secondary Payer (Non-MSP) Debt Referral Instructions and Debt Collection Improvement Act of 1996 (DCIA) Activities.***

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*(MSP Debt Referral Instructions are contained in the Medicare Secondary Payer Manual, Publication 100-05, Chapter 5, Section 60.)*

***70.1 - Background***

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*The Debt Collection Improvement Act of 1996 (DCIA) facilitates collections by the Federal Government and encourages the streamlining of procedures within and among Federal agencies. The DCIA requires Federal agencies to refer eligible delinquent debt to the Department of Treasury (Treasury) or a Treasury designated Debt Collection Center (DCC) for cross servicing and/or offset through the Treasury Offset Program (TOP).*

***70.2 - Cross Servicing***

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*Cross servicing is a process whereby Federal agencies refer eligible delinquent debt to Treasury for collection. The agency referring the debt retains responsibility for reporting the debt on the Treasury Report on Receivables Due from the Public. The agency is also responsible for removing accounts from its receivables when Treasury directs it to write off the debt. To effectively collect the debt that agencies refer, Treasury issues demand letters, conducts telephone follow-up, initiates skip tracing, refers debt for administrative offset, and refers debt to a private collection agency (PCA). Other collection tools may include Federal salary offset and administrative wage garnishment. The PCA shall attempt collection of the debt, using collection tools such as skip tracing, credit report search, demand letters and telephone calls.*

***70.3 - Treasury Offset Program (TOP)***

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*The TOP is a program that compares Federal payments with Federal debt. When a match occurs, the payment is offset to collect the debt. When the Taxpayer Identification Number (TIN) and name of the debtor match the TIN and name of a payee, the payment to the payee is offset and monies that would have gone to the payee are sent to the creditor agency to satisfy the debt. A debt may remain in TOP for offset up to ten years from date of determination. Types of payments that can be offset may include tax refunds, vendor payments, and benefit payments, with certain restrictions.*

## **70.4 Definition of Delinquent Debt**

*(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)*

*Per DCIA referral criteria, “delinquent” is defined as debt: (1) that has not been paid (in full) by the date specified in the agency’s initial written notification (i.e., the agency’s first demand letter), unless other payment arrangements have been made, or (2) that at any time thereafter the debtor defaults on a repayment agreement.*

## **70.5 - Referral Requirements**

*(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)*

*The Centers for Medicare & Medicaid Services (CMS) is mandated to refer all eligible debt, 180 days delinquent, for cross servicing and/or TOP. Additionally, the CMS has the option of referring such debt before it is 180 days delinquent.*

## **70.6 - Exemptions to Referral**

*(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)*

*Non-MSP debt ineligible for referral include those: (1) in bankruptcy status, (2) in an appeal status (pending at any level), (3) at the Department of Justice, (4) where the debtor is deceased, (5) Federal entity debt where the debtor is a Federal agency, (6) where the principal balance is less than \$25, or (7) debt under fraud and abuse investigation where the investigating unit has provided the contractor with specific instructions not to attempt collection.*

*Treasury has also approved a waiver for the mandatory referral of unfiled cost report debt for cross servicing and/or TOP and for debts less than \$100 that do not have a TIN.*

## **70.7 - Debt to be Referred**

*(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)*

### **70.7.1 - Delinquent Non-MSP Fiscal Intermediary Debt Including Debt on the Provider Overpayment Reporting (POR) System**

*(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)*

*Fiscal Intermediaries routinely send three demand letters. To comply with DCIA, intermediaries shall include the “intent to refer” language in their final demand letters for all eligible debt. “Final demand letter” is defined as the last letter routinely sent to debtors to request payment, and shall be sent when or before the debt is 90 days delinquent (120 days from determination date). The letter containing the “intent to refer” language is referred to as the “intent to refer” letter (IRL).*

### **70.7.2 - Delinquent Non-MSP Medicare Carrier Debt, Including Individual Debt on the Physician/Supplier Overpayment Reporting (PSOR) System**

*(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)*

*Medicare carriers send an initial demand letter and a follow up letter that is sent within 45 calendar days, if there is no response within 30 calendar days to the initial demand letter. In order to allow time to recoup the debt, the “intent to refer” letter (IRL) shall be an additional letter, and shall be sent no later than when or before the debt is 90 days delinquent (120 days from determination date). This letter may be mailed before the debt is 90 days delinquent, if the carrier believes that sending this letter sooner shall enhance collection. However, the letter should not be sent until the carrier has placed the debt on recoupment status for at least 30 days. The IRL should be the final letter sent by the Medicare carrier prior to referring the debt for cross servicing.”*

### **70.7.5 - Delinquent Non-MSP Debt Previously Ineligible for Referral** *(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)*

*Medicare contractors shall monitor debt previously ineligible for referral that become eligible for referral. If the status of the debt changes to an eligible status, Medicare contractors shall determine whether an IRL has been sent. If the IRL has been sent, Medicare contractors shall input the debt to the Debt Collection System (DCS) within ten calendar days of the status change making the debt eligible for referral. If the IRL has not been sent, Medicare contractors shall send the IRL within ten calendar days of the status change making the debt eligible for referral, and follow the normal debt referral process.*

### **70.8 - DCIA Language/Intent to Refer Letter (IRL)** *(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)*

*The DCIA requires agencies to provide specific notice to debtors before referring a debt for cross servicing and/or TOP. The final demand letter (IRL) shall incorporate required DCIA language which for Non-MSP debt is listed in Section 70.90, Exhibit 1 – Intent to Refer Letter (IRL). The IRL shall be sent regardless of previous collections on the debt, unless there is an approved current extended repayment agreement in effect.*

*When appropriate, the IRL shall include the amount of interest due, along with the date of the last interest accrual. Medicare contractors may add additional wording to this letter that shall provide additional instructions or clarification regarding the recoupment of the overpayment.*

*Medicare contractors should use their own language in the opening paragraphs to explain the reason for the overpayment and the current balance, including interest accrued and the interest rate.*

*The IRL shall be signed by the Medicare contractor official who routinely signs the demand letters.*

*The IRL may be sent for debt currently ineligible for referral based on the status if the contractor believes the debt shall become eligible for referral in the future. The language in the IRL shall include a sentence that says: “If, after sixty calendar days from the date of this letter we have not received such evidence, your debt, if it is still outstanding and eligible for referral, shall be referred to the Department of Treasury or its designated Debt Collection Center for cross servicing/offset.” The IRL shall not be sent if the debt is in a status that excludes it from receiving demand letters.*

***70.9 - Response to “Intent to Refer” Letter (IRL)  
(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*Medicare contractors shall respond to any inquiries received as a result of the IRL within 15 calendar days of receipt. If the status of the debt changes based on the communications with the debtor, Medicare contractors shall update all appropriate systems timely.*

*The IRL provides debtors with 60 calendar days to respond. If, by day 61 the debtor has not responded, Medicare contractors shall input the debt to DCS. The debt shall be entered to the DCS no later than 70 calendar days from the date of the IRL. Debt for which less than full payment was received, or there is a current repayment agreement that is in default, are eligible for referral for cross servicing and/or TOP. Where there has been a partial recoupment or collection, but the collection is not the result of a current extended repayment agreement, the balance (if principal balance is greater than or equal to \$25) shall still be referred for cross servicing and/or TOP. Debts that are ineligible for referral or exempt from referral to cross servicing and/or TOP shall not be entered to the DCS.*

*Before inputting a debt to DCS for cross servicing, Medicare contractors shall first determine if the debt should be referred to the Regional Office (RO) for litigation rather than referral to Treasury for cross servicing. If it is determined that the debt should be litigated, contact the RO for further action.*

*If the IRL is returned as undeliverable, Medicare contractors shall follow established procedures to locate a better address. (See Chapter 4, Sections 10 and 80.) If a better address is obtained, the IRL shall be sent to that address with a new re-issued date. If the IRL is returned as undeliverable and a better address cannot be located, Medicare contractors shall input the debt to DCS within 10 calendar days of return of the letter.*

***70.10 - Provider Overpayment Reporting (POR) System Updates  
(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*For Fiscal Intermediary debt on the POR:*

*When the IRL is sent, Medicare contractors shall change the status code on the POR to “AQ” (Pending Referral for Cross Servicing and/or TOP). The location code on the*

*POR shall remain “INT”. The CMS (CO) shall use these codes to monitor the progress of attaining the projected debt referral goals. For debt in Currently Not Collectible (CNC) status code “01,” the status code shall be changed to “03,” (CNC- DCIA letter sent) when the IRL is sent.*

*If the debtor requests an extended repayment schedule (ERS) after the IRL was sent, and ERS is being negotiated or is approved, or if payment in full is received or the debtor presents information that would exempt the debt from cross servicing and/or TOP, Medicare contractors shall change the status code in the POR to reflect the new status of the debt.*

*Medicare contractors are responsible for all updates to the POR for debt at their locations.*

### **70.11 - Physician/Supplier Overpayment Reporting (PSOR) System Updates**

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*For Medicare Carrier debt on the PSOR:*

*When the intent to refer letter is sent, Medicare contractors shall change the status code on the PSOR to “Q,” (Pending Referral for Cross Servicing and/or TOP). The location code on the PSOR shall remain “CAR”. The CMS (CO) shall use these codes to monitor the progress of attaining the projected debt referral goals. For debt in CNC status code “1” the Medicare contractors shall change the status code to “3,” (CNC- DCIA letter sent) when the IRL is sent.*

*If the debtor requests an ERS after the IRL was sent, and ERS is being negotiated or is approved, or if payment in full is received or the debtor presents information that would exempt the debt from cross servicing and/or TOP, Medicare contractors shall change the status code in the PSOR to reflect the new status of the debt.*

*Medicare contractors are responsible for all updates to the PSOR for debt at their locations.*

### **70.13 - Cross Servicing Collection Efforts**

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*Medicare contractors, at the time of input to DCS, shall determine IF the Non-MSP debt is currently being recouped through Medicare (claims payments/withhold), and if the anticipated recoupments shall collect the debt in full within three years. If the contractor anticipates that the debt shall be collected in full within three years of delinquency by Medicare recoupment, the debt shall not be referred to a PCA as part of the cross servicing collection process. A specific debt type has been established in the DCS for this purpose. The debt type shall alert Treasury that the debt is being recouped through Medicare and should not be forwarded to a PCA. This determination shall eliminate*

*many duplicate collections. Specific instructions are found in the DCS User Guide, Exhibit 4 of this section.*

#### **70.14 - Actions Subsequent To DCS Input**

**(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)**

*Once the debt is referred for cross servicing, active collection efforts by the Medicare contractors and/or CMS shall cease. However, debt referred for cross servicing and/or TOP shall still be maintained in the Medicare contractors' internal systems for financial reporting, interest accrual, and possible internal recoupment. Medicare contractors shall be responsible for updating all the applicable systems, including the DCS for the change of the status and the balance of the debt.*

##### **70.14.1 - Transmission of Debt**

**(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)**

*When CMS transmits debt (generally this is done on a weekly basis), CMS shall generate a report of the debt transmitted that week (Transmission Report) and send the report to the Medicare contractors. The Medicare contractors shall review the report to ensure that debts transmitted remain valid and amounts are accurate. Interest amounts listed on the report are the amounts that were entered in the DCS and shall not be updated in the DCS for any interest accruals since input. The Medicare contractors shall verify the report, annotating any changes to the information on the report. Changes for additional interest accruals are not required. The Medicare contractors shall use the report to update the DCS and the POR/PSOR, if applicable, with the new status and location of the debt.*

*The report shall be signed by the Chief Financial Officer (CFO), or his/her designee, and returned to CO via fax within 10 calendar days of the date of the report.*

##### **70.14.2 - Update to DCS After Transmission**

**(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)**

*Once a debt has been referred for cross servicing and/or TOP:*

*If the Medicare contractors discover an error, collect (by check or recoupment), or receive information establishing that the debt is ineligible for cross servicing (i.e., bankruptcy, appeal), the Medicare contractors are responsible for updating their internal records, the DCS, and the POR/PSOR, if applicable, within ten days of the notification of the change to the debt. The CMS CO shall notify Treasury and recall the debt due to a full collection or shall report partial collection information and changes for debts at Treasury or a Treasury designated Debt Collection Center (DCC). Medicare contractors shall no longer send the Recall/Adjustment Form to CMS CO to recall the debt from Treasury or a Treasury DCC. The updates in the DCS made by Medicare contractors shall be automatically transmitted to Treasury.*

*If Treasury or the PCA discovers an error, collects on the debt, or receives information, that would render the debt ineligible for cross servicing, Treasury shall notify CO who, in*

*turn, shall notify the Medicare contractors via the Treasury Debt Management Services Action Form (TAF) or the Collection/Reconciliation Acknowledgement Form (CRAF) Spreadsheet. Medicare contractors are responsible for updating their internal records, the DCS, and the POR/PSOR, if applicable. The TAF or CRAF Spreadsheet shall be returned to CMS within established timeframes.*

*If Treasury or the PCA receives a dispute from the debtor or obtains additional information regarding the debt that requires CMS or Medicare contractor intervention, a TAF shall be sent to CMS. The CMS shall maintain a report of all debt in dispute and forward the information to the Medicare contractors for review and decision. The Medicare contractors, upon receipt of the TAF, shall update the DCS status code to "XX" for all Non-MSP disputed cases and CMS CO shall track these codes for timely disposition by the Medicare contractors. The Medicare contractors shall have 30 calendar days to respond to Treasury and update DCS and appropriate systems, if applicable, and shall copy CMS RO and CO on their response.*

## **70.15 - Financial Reporting for Debt Referred**

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

### **70.15.1 - Financial Reporting for Non-MSP Debt**

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

*Medicare contractors shall continue to report the debt at their location for financial reporting purposes. Debt referred to Treasury for cross servicing shall not be transferred out on the Form CMS 751 (Status of Accounts Receivable). See Chapter 5 for Financial Reporting instructions.*

*Medicare contractors shall continue to accrue and report interest in internal systems as well as the POR, if applicable, on a debt after the debt has been referred for cross servicing. The DCS shall not reflect this additional interest unless/until DCS is updated with a collection.*

## ***Exhibit 1***

***(Rev. 77, Issued: 09-16-05, Effective: 10-17-05, Implementation: 10-17-05)***

### ***Intent to Refer Letter (IRL)***

#### ***Background***

*The DCIA requires Federal agencies to refer debt that is 180 days delinquent to a Department of Treasury Debt Collection Center for cross servicing.*

*Prior to debt referral, the DCIA requires agencies to inform the debtor of the agency's intent to refer the debt, and to provide debtor information regarding the referral process.*

*Attached are specific paragraphs that explain the process and debtor rights. These paragraphs shall be included in the intent to refer letter (IRL) sent to the debtor.*

*Medicare contractors should use their own language in the opening paragraphs to explain the reason for the overpayment and the current balance, including interest accrued and the interest rate.*

### ***Intent to Refer Letter (IRL)***

***Subject in Bold: Notice of Intent to Refer Debt to the Department of Treasury's Debt Collection Center for Cross Servicing and/or Offset of Federal Payments***

*Contractor opening paragraphs concerning the reason for the overpayment, date of determination and amount due. Contractor may refer to previous demand letters or other forms of contact regarding the debt.*

*Your debt to the Medicare Program is delinquent and, by this letter, we are providing notice that your debt shall be referred to the Department of Treasury's Debt Collection Center for Cross Servicing and/or Offset of Federal Payments. Your debt shall be referred under provisions of Federal law, title 31 of the United States Code, Section 3720A and the authority of the Debt Collection Improvement Act of 1996 (DCIA).*

*The DCIA requires Federal agencies to refer delinquent debt to the Department of Treasury and/or a designated Debt Collection Center for collection through cross servicing and/or the Treasury Offset Program. Under the offset program, delinquent Federal debts are collected through offset of other Federal agency payments you may be entitled to, including the offset of your income tax return through the Internal Revenue Service (IRS).*

*The Debt Collection Center shall use various tools to collect the debt, including offset, demand letters, phone calls, referral to a private collection agency and referral to the Department of Justice for litigation. Other collection tools available, which may be used, include Federal salary offset and administrative wage garnishment. If the debt is discharged, it may be reported to the IRS as potential taxable income.*

*During the collection process, interest shall continue to accrue on the debt and you shall remain legally responsible for any amount not satisfied through the collection efforts.*

#### *For Individual Debtors Filing a Joint Federal Income Tax Return*

*The Treasury Offset Program automatically refers debt to the IRS for offset. Your Federal income tax refund is subject to offset under this program. If you file a joint income tax return, you should contact the IRS before filing your tax return to determine the steps to be taken to protect the share of the refund which may be payable to the non-debtor spouse.*

#### *Federal Salary Offset*

*If the facility ownership is either a sole proprietorship or partnership, your individual salary(s) may be offset if you are or become a federal employee.*

#### *Medicaid Offset*

*As authorized at 42 CFR 447.30, (subsection 1885 of the Social Security Act), CMS may instruct the State Medicaid Agency to offset the Federal share of any Medicaid payment due you, your agency and/or related facilities. At that time, the offset shall remain in effect until the Medicare overpayment is paid in full.*

#### *Due Process*

*You have the right to request an opportunity to inspect and copy records relating to the debt. This request shall be submitted in writing to the address listed below. You have a right to present evidence that all or part of your debt is not past due or legally enforceable. In order to exercise this right, this office shall receive a copy of the evidence to support your position, along with a copy of this letter. You shall submit any evidence that the debt is not owed or legally enforceable within 60 calendar days of the date of this letter. If, after sixty calendar days from the date of this letter, we have not received such evidence, your debt, if it is still outstanding and eligible for referral, shall be referred to the Department of Treasury or its designated Debt Collection Center for cross servicing/offset.*

#### *Repayment*

*Your debt shall not be referred to the Department of Treasury if you make payment in full. The past due amount of \$\_\_\_\_\_owed to the Medicare Program as of \_\_\_\_\_ includes interest accrued through \_\_\_\_\_. (Note:*

*Medicare contractors may alter this sentence to read: The past due amount owed to the Medicare Program as of the date of this letter includes current accrued interest. This sentence may be omitted for debt that does not accrue interest.) Interest is accrued monthly and is added to the balance of the debt.*

*Your check or money order for the amount due should be made payable to:*

*Medicare  
Contractor Address  
000 Street  
Anywhere, USA 00000-0000.*

*Include a copy of this letter with your payment.*

*If you cannot make payment in full, you may be allowed to enter into an extended repayment agreement. If you are interested in an extended repayment agreement, please contact this office.*

*Bankruptcy*

*If you have filed for bankruptcy and an automatic stay is in effect, you are not subject to offset while the automatic stay is in effect. Documentation supporting your bankruptcy status, along with a copy of this notice, shall be forwarded to this office at the above address.*

*If you have any questions concerning this debt, please contact \_\_\_\_\_  
at \_\_\_\_\_.*

*Sincerely,*

\_\_\_\_\_  
*Signature of Certifying Official  
Official Position*

