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# CMS Manual System

## Pub. 100-08 Medicare Program Integrity

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

Transmittal 89

Date: NOVEMBER 26, 2004

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CHANGE REQUEST 3446

**SUBJECT: Updating Financial Reporting Requirements for Medical Review and Local Provider Education and Training**

**I. SUMMARY OF CHANGES:** This transmittal updates the Program Integrity Manual to reflect the reporting requirements according to the budget and performance requirement (BPRs) documentation. Due to the nature of the changes to the BPRs as well as changes to the medical review and local provider education and training programs, much of the change request rearranges the organization of the chapter for ease of use by the contractor.

**MANUALIZATION/CLARIFICATION - EFFECTIVE/IMPLEMENTATION**

**DATE: December 27, 2004**

*Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:**

**(R = REVISED, N = NEW, D = DELETED)**

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	11/Table of Contents
N	11/11.1/ Medical Review (MR) and Local Provider, Education, and Training (LPET)
R	11/11.1.1/MR Overview
R	11/11.1.2/ Reporting MR Workload and Cost Information and Documentation in CAFM II
R	11/11.1.3/CAFM II Reporting for MR Activities
R	11/11.1.3.1/Automated Review Workload and Cost (Activity Code 21001)
R	11/11.1.3.2/Routine Review Workload and Cost (Activity Code 21002)
R	11/11.1.3.3/Data Analysis Cost (Activity Code 21007)
R	11/11.1.3.4/Third Party Liability or Demand Bills Workload and Cost (Activity Code 21010)
R	11/11.1.3.5/ Policy Reconsideration/Revision Activities (Activity Code 21206)
R	11/11.1.3.6/MR Program Management Costs (Activity Code 21207)
R	11/11.1.3.7/New Policy Development Activities (Activity Code 21208)
R	11/11.1.3.8/Complex Probe Review Workload and Cost (Activity Code 21220)
R	11/11.1.3.9/Prepay Complex Review Workload and Cost (Activity Code

	21221)
<b>R</b>	11/11.1.3.10/Postpay Complex Review Workload and Cost (Activity Code 21222)
<b>N</b>	11/11.1.4/MIP Comprehensive Error Rate Testing (CERT) Support
<b>N</b>	11/11.1.4.1/MIP CERT Support (Activity Code 21901)
<b>N</b>	11/11.1.5/ Reporting Internal Staff Training
<b>R</b>	11/11.1.6/ Reporting MR Savings in CROWD
<b>R</b>	11/11.2/LPET Overview
<b>R</b>	11/11.2.1/ Reporting LPET Workload and Cost Information and Documentation in CAFM II
<b>N</b>	11/11.2.2.1.1/One-on-One Provider Education a Workload and Cost (Activity Code 24116)
<b>N</b>	11/11.2.2.2/Education Delivered to Group of Providers Workload and Cost (Activity Code 24117)
<b>N</b>	11/11.2.2.3/Education Delivered via Electronic or Paper Media Workload and Cost (Activity Code 24118)

**\*III. FUNDING:**

**These instructions shall be implemented within your current operating budget.**

**IV. ATTACHMENTS:**

<b>X</b>	<b>Business Requirements</b>
<b>X</b>	<b>Manual Instruction</b>
	<b>Confidential Requirements</b>
	<b>One-Time Notification</b>
	<b>Recurring Update Notification</b>

**\*Medicare contractors only**

## Attachment - Business Requirements

Pub. 100-08	Transmittal: 89	Date: November 26, 2004	Change Request 3446
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**SUBJECT: Updating Financial Reporting Requirements for Medical Review and Local Provider Education and Training**

### I. GENERAL INFORMATION

**A. Background:** The following business requirements update the Program Integrity Manual to reflect the reporting requirements that have been issued in the budget and performance requirement documentation for medical review and local provider education and training programs. For sake of simplifying the instructions in the manual, chapter 11 has been re-organized in its entirety. Therefore, several sections have either been renamed to match the BPRs, or have simply been moved to provide consistency in presentation.

**B. Policy:** N/A

**C. Provider Education:** None.

### II. BUSINESS REQUIREMENTS

*"Shall" denotes a mandatory requirement*

*"Should" denotes an optional requirement*

Requirement #	Requirements	Responsibility
3446.1	Contractors shall incorporate activity based costing (ABC) in the budget process.	FI, carriers, DMERC
3446.1.2	Workload information and associated workload cost information shall be maintained and documented on-site by all MR contractors.	FI, carriers, DMERC
3446.1.2.1	The contractor shall maintain records of MR and LPET workload and cost information by operational site.	FI, carriers, DMERC
3446.1.2.2	The contractor shall report site-specific MR and LPET cost information in the remarks section of the IER. The contractor may submit site-specific information by another means as agreed upon by the regional office.	FI, carriers, DMERC
3446.1.2.3	The contractor shall include in the MR/LPET Strategy a section that describes the process used to monitor spending in each activity code.	FI, carriers, DMERC
3446.1.2.4	The contractor shall ensure a process that spending is consistent with the allocated MR and LPET budget and includes a process to revise the plan when spending is over or under	FI, carriers, DMERC

	the budget allocation and include this in the strategy.	
3446.1.2.5	The contractor shall also assure proper allocation of employee hours required for each activity in the workload reporting process.	FI, carriers, DMERC
3446.1.3	Contractors shall report all costs associated with the MR of claims.	FI, carriers, DMERC
3446.1.3.1	In order for a contractor to count reviewed claims as MR workload, <u>all</u> claims reviewed by MR shall be identified in the MR/LPET strategy and be the result of a MR edit. If resources allow, a MR clinician may be shared with another functional area, such as claims processing or appeals, as long as only the percentage of the clinician's time spent on MR activities is identified in the strategy and accounted for in the appropriate functional budget area (i.e, claims processing, or appeals).	FI, carriers, DMERC
3446.1.3.2	The contractor shall not report costs associated with collecting an overpayment in the routine review activity code.	FI, carriers, DMERC
3446.1.3.3	The contractor shall report the cost of collecting an overpayment in the appropriate overpayment activity code.	FI, carriers, DMERC
3446.1.3.4	The contractor shall report the number of postpay claims denied due to lack of documentation in the remarks section of 21002. These claims shall not be included in any other workload.	FI, carriers, DMERC
3446.1.3.6	In an attempt to achieve jurisdictional consistency, multi-state contractors shall develop and revise local policies that apply to all their States. When reporting workload to CAFM II, the contractor shall report just one LCD, even if that policy varies slightly from State-to-State.	FI, carriers, DMERC
3446.1.3.6.1	The contractor shall report the cost of inputting the LCD into the Fu database to activity code 21206 – Policy Reconsideration/Revision Activities or 21208 – New policy development and not in activity code 24118 – Education delivered through electronic or paper media.	FI, carriers, DMERC
3446.1.3.7	The contractor shall report the costs of managerial oversight for the following tasks to activity code 21207 – MR Program Management.	FI, carriers, DMERC

	<ul style="list-style-type: none"> <li>• Develop and periodically modify MR/LPET strategy;</li> <li>• Develop and modify quality assurance activities, including special studies, inter-reviewer reliability testing, committee meetings, and periodic report;</li> <li>• Evaluate edit effectiveness;</li> <li>• Plan, monitor and oversee budget, including interactions with contractor budget staff and RO budget and MR program staff;</li> <li>• Manage workload, including monitoring of monthly workload reports, reallocation of staff resources, and shifts in workload focus when indicated;</li> <li>• Implement MR instruction from regional and/or central office,</li> <li>• Educate staff on MR program, new CMS instructions, and quality assurance findings (this is different from the internal training of MR staff to perform MR activities),</li> <li>• Support service for PSC performing MR activities other than for the CERT contractor.</li> </ul>	
3446.1.3.10	DMERCs should report all costs associated with performing advanced determinations of medicare coverage to miscellaneous code 21221/01.	DMERCs
3446.1.3.11	Contractors shall report all costs associated with Postpay Complex Review in Activity Code 21222.	FI, carriers, DMERC
3446.1.3.11.1	In the workload section of Activity Code 21222, contractors shall report the total number of claims reviewed on a postpayment basis as Workload 1 and report the total number of claims denied in whole or in part as Workload 2. Report the number of providers subject to complex probe review in Workload 3.	FI, carriers, DMERC
3446.1.4	The contractor shall report the costs associated with time spent on providing review information to the CERT contractor as described in Pub.100-8 Ch. 12 § 3.3.2 under	FI, carriers, DMERC

	MIP CERT Support Activity Code 21901.	
3446.1.4.1	The contractor shall report the costs associated with time spent on providing feedback information to the CERT contractor as described in Pub. 100-8 Ch. 12 § 3.3.3 under MIP CERT Support Activity Code 21901. This includes but is not limited to: CMD discussions about CERT findings, participation in biweekly CERT conference calls, responding to inquiries from the CERT contractor, preparing dispute cases.	FI, carriers, DMERC
3446.1.4.2	The contractor shall report the costs associated with preparing the Error Rate Reduction Plan (ERRP) as described in Pub 100-8 Ch. 12 § 3.9 under MIP CERT Support Activity Code 21901. This does not include the costs of developing a MR strategy. The cost of developing a MR strategy should be captured in MR CAFM code 21207.	FI, carriers, DMERC
3446.1.4.3	The contractor shall report the costs associated with educating the provider community about CERT as described in Pub 100-8 Ch. 12 § 3.8 under MIP CERT Support Activity Code 21901.	FI, carriers, DMERC
3446.1.4.4	The contractor shall report the costs associated with contacting non-responders and referring recalcitrant non-responders to the OIG as described in Pub 100-8 Ch. 12 § 3.15 under MIP CERT Support Activity Code 21901.	FI, carriers, DMERC
3446.1.4.5	The contractor shall not report the costs associated with providing sample information to the CERT Contractor as described in Pub 100-8 Ch. 12 § 3.3.1 under MIP CERT Support Activity Code 21901. These costs should be allocated to the PM CERT Support Code – 12901 – described in the Appeals BPR.	FI, carriers, DMERC
3446.1.4.6	The contractor shall not report the costs associated with ensuring that the correct provider address is supplied to the CERT Contractor as described in Pub. 100-8 Ch. 12 § 3.3.1.C. These costs should be allocated to the PM CERT Support Code – 12901 – described in the Appeals BPR.	FI, carriers, DMERC
3446.1.4.7	The contractor shall not report the costs associated with researching ‘no resolution’ cases as described in Pub. 100-8 Ch. 12 §	FI, carriers, DMERC

	3.3.1.B. These costs should be allocated to the PM CERT Support Code – 12901 – described in the Appeals BPR.	
3446.1.4.8	The contractor shall not report the costs associated with handling and tracking CERT-initiated overpayments/underpayments as described in Pub 100-8 Ch. 12 § 3.4 and 3.6.1. These costs should be allocated to the PM CERT Support Code – 12901 – described in the Appeals BPR.	FI, carriers, DMERC
3446.1.4.9	The contractor shall not report the costs associated with handling and tracking appeals of CERT- initiated denials as described in Pub 100-8 Ch. 12 § 3.5 and 3.6.2. These costs should be allocated to the PM CERT Support Code – 12901 – described in the Appeals BPR.	FI, carriers, DMERC
3446.1.4.10	The contractor shall not shift funds from MR to MIP CERT Support or vice versa without first notifying your RO and the CERT Team ( <a href="mailto:CERT@cms.hhs.gov">CERT@cms.hhs.gov</a> ).	FI, carriers, DMERC
3446.1.5	For all internal staff training, the contractor shall charge the portion of the salaries for individuals attending the training to the activity(s) that the individual performs.	FI, carriers, DMERC
3446.1.5.1	For training related to a particular MR activity(s), the contractor shall allocate the cost for the training and any associated travel cost to the activity(s) that the training benefits in other direct costs.	FI, carriers, DMERC
3446.1.5.2	For training that benefits the overall MR program – if an individual attends the training - , the contractor shall charge the costs of the training and any associated travel costs to the activity(s) that the individual performs in other direct costs. If a group attends the training, the contractor shall distribute the costs of the training and any associated travel costs among all MR activity codes in other direct costs.	FI, carriers, DMERC
3446.1.5.3	For training that is required by CMS or benefits the Medicare program, the contractor shall allocate training and travel costs to overhead.	FI, carriers, DMERC
3446.2.1	The contractor shall consider various elements when planning their LPET budget.	FI, carriers, DMERC
3446.2.1.1	The contractor shall identify the appropriate budget and workload for each activity code within the constraints of their designated LPET	FI, carriers, DMERC

	budget.	
3446.2.2.1	The contractor shall report the costs associated with one-on-one provider education in Activity Code 24116.	FI, carriers, DMERC
3446.2.2.1.1	For One-on-One Provider Education - Activity Code 24116, the contractor shall report the number of educational contacts in workload 1, and the number of providers educated in workload 2. If a provider sends a representative(s) on his behalf to a one-on-one educational contact, count the number of provider(s), not representative(s), to whom the educational activity was directed	FI, carriers, DMERC
3446.2.2.2	The contractor shall report the costs associated with education delivered to a group of providers in Activity Code 24117.	FI, carriers, DMERC
3446.2.2.2.1	For Education Delivered to a Group of Providers - Activity Code 24117, the contractor shall report the number of group educational contacts in workload 1, and the number of providers educated in workload 2. If a provider sends a representative(s) on his behalf to a group education activity, count the number of provider(s), not representative(s), to whom the educational activity was directed.	FI, carriers, DMERC
3446.2.2.3	The contractor shall report the costs associated with education delivered via electronic or paper media in Activity Code 24118.	FI, carriers, DMERC
3446.2.2.3.1	For Education delivered via Electronic or Paper Media – Activity Code 24118, the contractor shall report the total number of educational documents developed for use in non-interactive educational interventions in workload 1, then report the number of CBRs developed in workload 2 (do not include CBRs developed for Activities in 24116 and 24117), and report the number of articles/advisories/bulletins developed in workload 3.	FI, carriers, DMERC

### III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

#### A. Other Instructions: N/A

X-Ref Requirement #	Instructions

#### B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

#### C. Interfaces: N/A

**D. Contractor Financial Reporting /Workload Impact: Contractors should already be reporting in this manner**

#### E. Dependencies: N/A

#### F. Testing Considerations: N/A

### IV. SCHEDULE, CONTACTS, AND FUNDING

<b>Effective Date:</b> December 27, 2004 <b>Implementation Date:</b> December 27, 2004 <b>Pre-Implementation Contact(s):</b> Stacy Holdsworth (410)786-3530, <a href="mailto:sholdsworth@cms.hhs.gov">sholdsworth@cms.hhs.gov</a> <b>Post-Implementation Contact(s):</b> Stacy Holdsworth (410)786-3530, <a href="mailto:sholdsworth@cms.hhs.gov">sholdsworth@cms.hhs.gov</a>	<b>These instructions shall be implemented within your current operating budget.</b>
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# Medicare Program Integrity Manual

## Chapter 11 - Fiscal Administration

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## ***11.1 - Medical Review (MR) and Local Provider, Education, and Training (Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Contractors are required to incorporate Activity Based Costing (ABC) in the budget process. ABC is a management reporting system that allows contractors to focus on the costs of the work activities instead of the standard cost centers associated with the traditional cost accounting structure. ABC identifies an all inclusive business process for each activity so that the total costs of the activity are fully visible to the MR business manager. Refer to Medicare Financial Management Manual, [www.cms.gov/manuals/106\\_financial/fin106index.asp](http://www.cms.gov/manuals/106_financial/fin106index.asp) Chapters 1,2, 5 and 6 for more detailed explanation of ABC.*

### **11.1.1 – MR Overview**

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

This chapter of the PIM lists the requirements contractors must follow when allocating MR Costs, Savings and Workload to the MR activities in CAFM and CROWD. These requirements formerly appeared in MCM, Part 1, 4213; MIM, Part 1, 1213 and the MR Budget and Performance Requirements (BPRs). Contractors must allocate to the MR activity code in CAFM *II* only the workload and costs associated with MR tasks. Contractors must allocate to the MR line in CROWD only these savings that are generated by MR tasks. For example:

- If a nurse reviewer spends 90% of her time performing *prepay complex medical review* and 10% of her time performing appeals review at the request of the appeals unit, the contractor must allocate 90% of this nurse's salary/fringes to 21221 and the 10% to the appropriate appeals activity code.
- If a non-clinician medical reviewer spends 80% of his time performing Routine review and 20% of his time performing suspect duplicate reviews, the contractor must allocate 80% of this reviewer's salary/fringes to 21002 and the 20% to the appropriate claims processing activity code.
- If a nurse reviewer spends 70% of her time performing *postpay complex review* for the purpose of making a coverage determination on a provider who has been selected for targeted PCA review and 30% of her time performing *reviews to support the claims processing unit*, the contractor should report 70% to *Postpay Complex Review 21222* and 30% to *the appropriate claims processing activity code*.

*Refer to chapter 1, section 2 [www.cms.gov/manuals/108\\_pim/pim83c01.asp#Sect2](http://www.cms.gov/manuals/108_pim/pim83c01.asp#Sect2) of this manual for detailed overview of the MR Program. This chapter lists the requirements contractors must follow when allocating MR costs and workload to the MR activities in CAFM II. Contractors will be given a specified maximum budget for MR. Based on this*

*budget the contractor is asked to develop a unique MR/LPET strategy within their jurisdiction that is consistent with the goal of reducing the error rate.*

*Joint Operating Agreements between Program Safeguard Contractors (PSC) and Affiliated Contractors (AC) should reflect proportionate allocation of tasks delineated to MR and LPET. When negotiating Joint Operating Agreements, the PSC should be cognizant of their task order.*

### **11.1.2 –Reporting MR Workload and Cost Information and Documentation in CAFM II**

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Workload information and associated workload cost information shall be maintained and documented on-site by all MR contractors. Each site shall maintain records of its own workload information and associated workload cost information. Contractors shall be able to provide this information upon request from RO and/or CO. Site-specific workload and cost information shall be reported in the remarks section of CAFM II. With RO consent, this information may be submitted by other means with an indication made in the remarks section of the CAFM II IER report.*

*The MR/LPET strategy shall include a section that describes the process used to monitor spending in each activity code. The process shall ensure that spending is consistent with the allocated budget and includes a process to revise the plan when spending is over or under the budget allocation. In addition, the strategy shall describe how workload for each activity code is accurately and consistently reported. The workload reporting process shall also assure proper allocation of employee hours required for each activity.*

*Contractor's MR workload records shall include workload information captured by the Interim Expenditure Report (IER). Only costs (direct, indirect, overhead) incurred to support MR activities are reported on the MR line. Contractors are responsible for ensuring the accuracy of the information contained in CAFM II. The contractor shall alert the RO (for PSCs, the GTL, Co-GTL, and SME) to any software or hardware problems that hinder the contractor's ability to report accurate data in CAFM II. The contractor should cc MROperations@CMS.HHS.gov.*

### **11.1.3 – CAFM II Reporting for MR Activities**

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Contractors shall report all costs associated with the medical review of claims, e.g., sampling design and execution; claims examination, reviewing medical records and associated documentation; assessing overpayments; and contacting providers to notify them of overpayment assessment decisions. All costs associated with collecting the*

*overpayment shall be allocated to the appropriate overpayment collection CAFM II activity code.*

*To be counted as medical review workload, all claims reviewed by medical review shall be identified in the MR/LPET strategy and be the result of a MR edit. If resources allow, a MR clinician may be shared with another functional area, such as claims processing or appeals, as long as only the percentage of the clinician's time spent on MR activities is identified in the strategy and accounted for in the appropriate functional budget area.*

The review of a claim for MR purposes is only counted as medically reviewed once no matter how many times the same claim is reviewed during claims processing. MCS users will be exempt from this requirement until October 1, 2003. Effective October 1, 2003 the MCS system shall be revised to deny as duplicate a newly submitted claim against a claim that has been denied, medically reviewed, or where documentation was requested but not received.

**11.1.3.1 - *Automated Review Workload and Cost* (Activity Code 21001)**  
***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

Contractors *shall* report the costs associated with automated review including personnel to install and activate supplemental edit software in Activity Code 21001. In the workload section of the CAFM II, Activity Code 21001, contractors *shall* report the number of claims denied in whole or in part in Workload 1. To the extent the contractor can report claims subjected to automated *medical* review, this number should be reported in Workload 2. (*IOM Pub 100-8*, ch.3, §3.4.5.)

**11.1.3.2 - *Routine Review Workload and Cost* (Activity Code 21002)**  
***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

Contractors *shall* report all costs associated with *routine reviews* in Activity Code 21002. *Costs associated with collecting an overpayment shall not be reported to this activity code.* In the workload section of CAFMII, Activity Code 21002, report the number of claims reviewed in Workload 1. Contractors *shall* report number of claims denied in whole or in part in Workload 2. *Report the number of providers subject to routine review in Workload 3. Report the number of postpay claims denied due to no documentation received in the remarks section of this activity code; do not include these claims in any other workload.* (*IOM Pub 100-8* ch.3§3.4.5.)

### ***11.1.3.3 - Data Analysis Cost (Activity Code 21007)***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

Contractors *shall* report costs associated with data analysis activities *associated with discovering program vulnerabilities and developing a MR/LPET prioritized problem list (IOM Pub 100-8, ch. 1)* in CAFM II Activity Code 21007. *However, analysis of the data to develop and deliver LPET interventions shall be reported in an associated LPET activity code. In addition, data analysis associated with benefit integrity and law enforcement support shall not be reported here.* There is no claims workload to be reported for this activity.

### ***11.1.3.4 - Third Party Liability or Demand Bills Workload and Cost (Activity Code 21010)***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

Intermediaries *shall* report only the workload and costs associated with the medical review of third party liability claims and the workload and costs associated with the medical review of demand bills. Funding for claims processing and the appeals for third party liability and demand bills must be funded through program management.

Intermediaries *shall* report the costs associated with the medical review of third party liability and the medical review of demand bills in Activity Code 21010. In the workload section of the CAFMII, in Activity Code 21010 intermediaries *shall* report the total number of claims reviewed, i.e., third party liability claims plus claims for demand bills, in Workload 1. Intermediaries *shall* report the number of claims denied in whole or in part in Workload 2. Intermediaries *shall* report demand bills (claims) reviewed in Workload 3.

### ***11.1.3.5 - Policy Reconsideration/Revision Activities (Activity Code 21206)***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*In an attempt to achieve jurisdictional consistency, multi-state contractors shall develop and revise local policies that apply to all their states. When reporting workload to CAFM II, the carrier shall report just one LCD, even if that policy varies slightly from state to state.*

Report all costs associated with reconsiderations and revisions to *LCD* in CAFM II Activity Code 21206. Include reconsideration requests made as a result of *IOM Pub.100-8 ch.13 §13.10*. *The cost of inputting the LCD into the Fu database shall also be reported here and not in activity code 24118 – Education delivered through electronic or paper media.* Report the total number of policies revised *or retired* in Workload 1. Report the number of policies revised that required notice or comment as Workload 2. Report the

number of policies revised due to an outside request (e.g., beneficiary or provider request) in Workload 3.

***11.1.3.6 – MR Program Management Costs (Activity Code 21207)***  
***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*The MR Program Management encompasses managerial responsibilities inherent in managing the MR and LPET programs, including: development, modification, and periodic reporting of MR/LPET strategies and quality assurance activities; planning monitoring and adjusting workload performance; budget-related monitoring and reporting; and implementation of CMS instructions.*

*Activity Code 21207 is designed to capture the costs of managerial oversight for the following tasks:*

- Develop and periodically modify MR/LPET strategy;*
- Develop and modify quality assurance activities, including special studies, inter-reviewer reliability testing, committee meetings, and periodic reports;*
- Evaluate edit effectiveness;*
- Plan, monitor and oversee budget, including interactions with contractor budget staff and RO budget and MR program staff;*
- Manage workload, including monitoring of monthly workload reports, reallocation of staff resources, and shifts in workload focus when indicated;*
- Implement MR instructions from regional and/or central office;*
- Educate staff on MR program, new CMS instructions, and quality assurance findings (this is different from the internal training of MR staff to perform MR activities); and,*
- Support service for PSC performing MR activities other than for the CERT contractor.*

***11.1.3.7 - New Policy Development Activities (Activity Code 21208)***  
***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*In an attempt to achieve jurisdictional consistency, multi-state contractors shall develop and revise local policies that apply to all their states. When reporting workload to CAFM II, the carrier shall report just one LCD, even if that policy varies slightly from state to state.*

Report all costs associated with new **LCD** development activity in CAFM II Activity Code 21208. *Include in this cost inputting the LCD into the Fu database, do not report this cost in activity code 24118 – Education delivered through paper or electronic media.* Report the number of new policies that were presented for notice and comment as Workload 1. Report the number of policies that became effective as Workload 2.

**11.1.3.8 - Complex Probe Review Workload and Costs (Activity Code 21220)**

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

Report all costs associated with *complex probe review* in Activity Code 21220. In the workload section of CAFM II, Activity Code 21220, report the number of claims reviewed in Workload 1. Report the number of claims denied in whole or in part in Workload 2. *Report the number of providers subject to complex probe review in Workload 3.*

**11.1.3.9 - Prepay Complex Review Workload and Cost (Activity Code 21221)**

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

Report all costs associated with *prepay complex review* in Activity Code 21221. In the workload section of CAFM II, Activity Code 21221, report the number of claims reviewed in Workload 1. Report the number of claims denied in whole or in part in Workload 2. *Report the number of providers subject to prepay complex review in Workload 3.*

*The DMERCs shall report all costs associated with performing Advanced Determinations of Medicare Coverage (IOM Pub.100-8, ch.5 §5.7) to miscellaneous code 21221/01.*

**11.1.3.10 - Postpay Complex Review Workload and Cost (Activity Code 21222)**

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Contractors shall report all costs associated with Postpay Complex Review in Activity Code 21222. In the workload section of Activity Code 21222, contractors shall report the total number of claims reviewed on a postpayment basis as Workload 1 and report the total number of claims denied in whole or in part as Workload 2. Report the number of providers subject to postpay complex review in Workload 3. (IOM Pub 100-8, ch. 3. §4.5.)*

**11.1.4 - MIP Comprehensive Error Rate Testing (CERT) Support**

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Beginning in FY 2005, CMS will provide funding earmarked for the AC to support the CERT contractor. This funding will be a “reverse auction” funding system as is found in the MR program. The CERT Support funding is over-and-above the level of funding provided to perform the MR activities listed above. Contractors are not required to develop a MIP CERT Support strategy. Contractors shall not include MIP CERT*

*Support work in their MR strategies. Contractors shall not shift additional funds from MR or LPET activities to this line.*

*In addition to satisfying all requirements contained here, contractors shall carry out all CERT Support activities identified in IOM Pub.100-8, ch.12 and all relevant MIP CERT Support One Time Notifications.*

***11.1.4.1 - MIP CERT Support (Activity Code 21901)  
(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Report the costs associated with time spent on MIP CERT Support Activities. These activities include but are not limited to the following:*

- Providing review information to the CERT contractor as described in IOM Pub. 100-8, ch.12 § 3.3.2.*
- Providing feedback information to the CERT contractor as described in IOM Pub. 100-8, ch.12, § 3.3.3 including but not limited to:
  - + CMD discussions about CERT findings;*
  - + Participation in biweekly CERT conference calls;*
  - + Responding to inquiries from the CERT contractor; and*
  - + Preparing dispute cases.**
- Preparing the Error Rate Reduction Plan (ERRP) as described in IOM Pub.100-8, ch. 12, §3.9 (Do not include costs of developing MR Strategy or the Quarterly Strategy Analysis (QSA). The cost of developing the MR Strategy and QSA shall be captured in MR CAFM code 21207).*
- Educating the provider community about CERT as described in IOM Pub. 100-8, ch.12, § 3.8.*
- Contacting non-responders and referring recalcitrant non-responders to the OIG as described in IOM Pub. 100-8, ch.12, § 3.15.*

*Contractors shall NOT report costs associated with the following activities in this activity code:*

- Providing sample information to the CERT Contractor as described in IOM Pub. 100-8, ch. 12, § 3.3.1A&B (These costs should be allocated to the PM CERT Support Code – 12901 -- described in the Appeals BPR);*
- Ensuring that the correct provider address is supplied to the CERT Contractor as described in IOM Pub. 100-8, ch. 12, § 3.3.1.C*

*(These costs should be allocated to the PM CERT Support Code – 12901 -- described in the Appeals BPR);*

- *Researching ‘no resolution’ cases as described in IOM Pub. 100-8, ch. 12, § 3.3.1.B (These costs should be allocated to the PM CERT Support Code – 12901 -- described in the Appeals BPR);*
- *Handling and tracking CERT-initiated overpayments/underpayments as described in IOM Pub. 100-8, ch. 12, § 3.4 and 3.6.1 (These costs should be allocated to the PM CERT Support Code – 12901 -- described in the Appeals BPR);and,*
- *Handling and tracking appeals of CERT-initiated denials as described in IOM Pub. 100-8, ch. 12. § 3.5 and 3.6.2 (These costs should be allocated to the PM CERT Support Code – 12901 -- described in the Appeals BPR).*

***NOTE:*** *The funding for the MIP CERT support activity is separate and distinct from the MR funding. Therefore, funds should not be shifted from MR to MIP CERT Support or vice versa without first notifying your RO and the CERT Team ([CERT@cms.hhs.gov](mailto:CERT@cms.hhs.gov)).*

### ***11.1.5 – Reporting Internal Staff Training***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*For all internal staff training, charge the portion of the salaries for individuals attending the training to the activity(s) that the individual performs.*

*For training related to a particular MR activity(s) allocate the cost for the training and any associated travel cost to the activity(s) that the training benefits in other direct costs.*

*For training that benefits the overall MR program – if an individual attends the training - charge the costs of the training and any associated travel costs to the activity(s) that the individual performs in other direct costs. If a group attends the training, distribute the costs of the training and any associated travel costs among all MR activity codes in other direct costs.*

*For training that is required by CMS or benefits the Medicare program, allocate training and travel costs to overhead.*

### ***11.1.6 - Reporting MR Savings in CROWD***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

Contractors *shall* report in CROWD only those actual savings that are generated from MR *claims* review.

Include as MR Savings the following:

- Actual Savings that result from all coverage and coding reviews done for MR purposes. Include all benefit category, statutory exclusion and, reasonable and necessary reviews done for MR purposes.

Contractors shall not include as MR savings:

- Avoided costs (e.g. a reduction in the number of claims submitted, compared to historical patterns, attributed to a new or revised *LCD*) *shall* not be considered "savings."
- Savings that result from coverage or coding reviews performed at the request of the fraud unit.
- Savings that result from any review other than coverage or coding.

## ***11.2. - LPET Overview***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Contractors shall consider various elements when planning their LPET budget. For example, contractors shall explain how they plan to allocate provider educational activities between LPET and PCOM. The LPET subjects include medical review findings, and education on LCDs as identified through the PCA process. PCOM subjects include issues of national scope or impact. While there are fundamental differences between the LPET and PCOM programs, there may be circumstances when it would be feasible to provide educational events that encompass the scope of both of these programs. For any function such as seminars, conventions, or conferences that address LPET as well as PCOM subjects, the proportional share of the cost of that function to be allocated to LPET, is equal to the percentage of time related to addressing LPET subject matter, multiplied by the cost of the function. For example, the proportional share of the cost of a seminar to be allocated to LPET, is equal to the percentage of the seminar related to addressing LPET subjects, multiplied by the cost of the seminar (e.g., if it costs \$4,000 to arrange and conduct a seminar containing 75 percent MR and 25 percent national coverage information, then the LPET cost would be \$4,000 multiplied by 0.75 or \$3,000 and the remaining \$1,000 would be charged to PCOM). However, if the intent of the educational intervention is purely LPET, but PCOM issues arise; address the issues to the extent possible, but charge the cost of the intervention to LPET. This methodology for allocating costs also applies to other general, all-purpose provider education tools or materials, such as regularly scheduled bulletins/newsletters. The costs for developing,*

*producing, and distributing bulletins, should be allocated proportionally according to the percentage of the time spent on each subject in the bulletin between LPET and PCOM.*

*Each contractor will be given a specified maximum budget for LPET activities. Contractors shall identify the appropriate budget and workload for each activity code within the constraints of their budgets. Contractors are not permitted to charge providers/suppliers for planned educational activities and training materials. However, contractors may assess fees of no more than the cost for educational activities delivered at a non-Medicare contractor sponsored event, or when specifically requested by specialty societies or associations. In addition, although contractors are mandated to supply providers with a paper copy of their bulletin at no cost, contractors may assess a fee to cover costs if the provider requests additional copies. All monies collected must be reported as a credit in the applicable activity code and accompanied with a rationale for charging the fee. The fees must be fair and reasonable. Revenues collected from discretionary activities must be used only to cover the cost of these activities and may not be used to supplement other contractor activities.*

### ***11.2.1 - Reporting LPET Workload and Cost Information and Documentation in CAFM II***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

Workload information and associated workload cost information shall be maintained and documented on site by all LPET contractors. *Each site shall maintain records of its own workload information and associated workload cost information. Contractors shall be able to provide this information upon request from RO and/or CO. Site-specific workload and cost information should be reported in the remarks section of CAFM II. With RO consent, this information may be submitted by other means with an indication made in the remarks section of the CAFM II IER report.*

The contractors' LPET workload records *shall* include workload information captured by the Interim Expenditure Report (IER). Only costs (direct, indirect, overhead) incurred in LPET activities are reported in CAFM II activity codes. Contractors are responsible for ensuring the accuracy of the information contained in CAFM II. The contractor *shall* alert the RO (for PSCs, the GTL, Co-GTL, and SME) to any software or hardware problems that hinder the contractor's ability to report accurate data on CAFM II.

Since LPET is related to medical review activities, Joint Operating Agreements between Program Safeguard Contractors (PSC) and Affiliated Contractors (AC) should reflect proportionate allocation of tasks delineated to MR and LPET. When negotiating Joint Operating Agreements, the PSC should be cognizant of their task order.

### ***11.2.2.1 – One-on-One Provider Education Workload and Cost (Activity Code 24116)***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Report the costs associated with One-on-One Provider Education in Activity Code 24116. Written materials, or electronic communications to providers during a One-on-One Provider Education, shall not be reported in Education Delivered via Electronic or Paper Media, Activity Code 24118, but included in the cost for One-on-One education. Activity Code 24116 - One-on-One Provider Education shall capture the one-on-one contact between the contractor and provider, and the written materials or electronic communication used to facilitate the one-on-one education. Included in this activity code would be letters sent to a provider that specifically addresses the medical review findings and instructions to correct the errors. Any provider contact made solely by paper or computer, without specifically addressing an individual provider, should not be reported here. (IOM Pub. 100-8, ch. 1)*

*For One-on-One Provider Education, Activity Code 24116, report the number of educational contacts in Workload 1. Report the number of providers educated in Workload 2. If a provider sends a representative(s) on his behalf to a one-on-one educational contact, count the number of provider(s), not representative(s), to whom the educational activity was directed.*

### ***11.2.2.2 – Education Delivered to a Group of Providers Workload and Cost (Activity Code 24117)***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Report the costs associated with Education Delivered to a Group of Providers in Activity Code 24117. Report the number of group educational contacts in Workload 1. Report the number of providers educated in Workload 2. If a provider sends a representative(s) on his behalf to a group education activity, count the number of provider(s), not representative(s), to whom the educational activity was directed. (IOM Pub. 100-8, ch.1)*

### ***11.2.2.3 – Education Delivered via Electronic or Paper Media Workload and Cost (Activity Code 24118)***

***(Rev. 89, Issued: 11-26-04, Effective: 12-27-04, Implementation: 12-27-04)***

*Report the costs associated with Education Delivered via Electronic or Paper Media in Activity Code 24118. Report the total number of educational documents developed for use in non-interactive educational interventions in Workload 1. Report the number of CBRs developed in Workload 2 (do not include CBRs developed for Activities in 24116 and 24117). Report the number of articles/advisories/bulletins developed in Workload 3. Workloads 2 and 3 are subsets to workload 1. If an educational bulletin is published in a number of different venues, count that bulletin only once, even if publication occurs in different months.*