
Program Memorandum

Intermediaries

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

Transmittal A-02-128

Date: JANUARY 3, 2003

CHANGE REQUEST 2508

SUBJECT: Revision to 42CFR 405.371 Suspension, Offset and Recoupment of Medicare Payments to Providers and Suppliers of Services

CMS has revised the regulations at 42CFR 405.371 related to payment suspensions for unfiled cost reports. Effective January 1, 2003, suspensions may be in whole or in part, rather than only in whole. CMS made this change to allow flexibility in determining the amount of payment suspended now that a smaller fraction of payments are made based on the cost report.

This revision is for cost reports due on or after January 1, 2003. Utilize the following percentages when suspending a provider's payments for failure to file a timely cost report:

Days Late	Rate of Payment Suspension
Up to 60 days	20%
61 – 120 days	50%
121 + days	100%

Notify the provider of the payment suspension timeframes when you initially suspend payment. You may need to modify these suspension percentages because of unique circumstances involving the provider's ability to file a cost report. If you determine that these percentages would be inappropriate, contact the Regional Office for approval of any variation to the percentages in the chart.

If system limitations preclude you from suspending payments based on a percentage, you should suspend payments based on the dollar amount that results from applying the applicable rate of payment suspension to the average payment for the 6 months prior to the suspension.

Terminated providers should immediately have 100 percent of their payments suspended for failure to file a cost report in a timely manner.

The *effective date* for this Program Memorandum (PM) is January 1, 2003

The *implementation date* for this PM is January 1, 2003

These instructions should be implemented within your current operating budget.

This PM may be discarded after January 1, 2004

If you have any questions, contact Dave Czerski at 410-786-1292.

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