

CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-06 Medicare Financial Management	Centers for Medicare & Medicaid Services (CMS)
Transmittal 13235	Date: May 22, 2025
	Change Request 14071

SUBJECT: Updates to the Internet Only Manual, Publication 100-06, Chapter 3, Overpayments, Sections 120 and 130

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to delete section 120, Referral to the Department of Justice (DOJ), update and clarify sections 130-130.3, CHOW. When the owner of a Part A Medicare provider agreement transfers the provider rights to a new owner by sale, lease or other transaction, Medicare regulations state that the provider agreement is automatically assigned to the new owner. Such a transfer is called a “Change of Ownership” (CHOW). A CHOW allows the provider’s participation in the Medicare program to continue without any break in coverage. When an existing provider agreement is assigned to a new owner, the new owner is subject to all the applicable statutes and regulations, terms and conditions under which the existing agreement was issued. One of these statutes requires the adjustment of ongoing payments to the provider to account for prior overpayments and underpayments. Under a CHOW, there is no change in the provider agreement; only the owner has changed. Therefore, when a new owner accepts assignment of the Medicare provider agreement, the Contractor continues to adjust any payments it makes to the provider.

EFFECTIVE DATE: June 23, 2025

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

IMPLEMENTATION DATE: June 23, 2025

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
R	3/Table of Contents
D	3/120/Referral to the Department of Justice (DOJ)
D	3/120/1/Communication on Cases Sent to the RO for DOJ Referral
D	3/120/2/Cases Referred to DOJ for Possible Litigation
R	3/130/Change of Ownership (CHOW)
N	3/130/1/Impact of Change of Ownership and Assignment of Medicare Provider Agreement on Overpayments and Underpayments
N	3/130/2/The Contractors Contact Only the Owner of Record
N	3/130/3/Effect of New Owner's Rejection of Assignment of the Medicare Provider Agreement

III. FUNDING:

For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

IV. ATTACHMENTS:

**Business Requirements
Manual Instruction**

Attachment - Business Requirements

Pub. 100-06	Transmittal: 13235	Date: May 22, 2025	Change Request: 14071
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SUBJECT: Updates to the Internet Only Manual, Publication 100-06, Chapter 3, Overpayments, Sections 120 and 130

EFFECTIVE DATE: June 23, 2025

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

IMPLEMENTATION DATE: June 23, 2025

I. SUMMARY OF CHANGES: The purpose of this Change Request (CR) is to delete section 120, Referral to the Department of Justice (DOJ), update and clarify sections 130-130.3, CHOW. When the owner of a Part A Medicare provider agreement transfers the provider rights to a new owner by sale, lease or other transaction, Medicare regulations state that the provider agreement is automatically assigned to the new owner. Such a transfer is called a “Change of Ownership” (CHOW). A CHOW allows the provider’s participation in the Medicare program to continue without any break in coverage. When an existing provider agreement is assigned to a new owner, the new owner is subject to all the applicable statutes and regulations, terms and conditions under which the existing agreement was issued. One of these statutes requires the adjustment of ongoing payments to the provider to account for prior overpayments and underpayments. Under a CHOW, there is no change in the provider agreement; only the owner has changed. Therefore, when a new owner accepts assignment of the Medicare provider agreement, the Contractor continues to adjust any payments it makes to the provider.

II. GENERAL INFORMATION

A. Background: When a provider undergoes a CHOW where the new provider accepts assignment of the previous owner’s Medicare agreement, the responsibility for repaying any outstanding and future overpayments resides with the new owner. Exception: If any of the overpayments determined for a fiscal year when the previous owner had assignment were discovered due to fraud, the responsibility for the repayment of the overpayments does not shift to the new provider. It stays with the old provider. A sales agreement stipulating that the new owner is not liable for the overpayments made to the previous owner is not evidence enough for recovery from the new owner to not occur. Medicare was not a part of the sales agreement. That is a civil matter, and it would be up to the new owner to enforce the sales agreement. If the new owner assumes assignment of the Medicare agreement, Medicare will attempt to recover from the new/current owner regardless of the sales agreement. The Contractor attempts to collect from the new owner. If this is not successful and the Contractor has reasonable evidence that the previous owner can repay the overpayment, it should refer the case to the Centers for Medicare & Medicaid Services (CMS). The CMS will confer with the Office of General Council (OGC) and decide if the case warrants collection from the previous owner. This action should be completed before the debt is transferred to the Department of Treasury.

B. Policy: When the owner of a Part A Medicare provider agreement transfers the provider rights to a new owner, (by sale, lease or other transaction), Medicare regulations state that the provider agreement is automatically assigned to the new owner. Refer to 42 C.F.R. § 489.18(c). Such a transfer is called a “Change of Ownership” (CHOW). A CHOW allows the provider’s participation in the Medicare program to continue without any break in coverage. However, if the new owner chooses to reject assignment of the provider agreement, the old owner’s provider agreement terminates, and the new owner must apply to the CMS for certification as a new Medicare Provider. This is not a “CHOW.” Just as any other new provider, this new

provider is not eligible for payment for services that it provided to beneficiaries before the date on which the CMS approves its application to participate in Medicare. Refer to: 42 C.F.R. § 489.13(b).

The primary source for information on Change of Ownership (CHOW) is located in CMS, State Operations Manual (SOM), Publication 100-07, Chapters 2 and 3. Please refer to that manual for any subsequent updates on the information in this section. For more information on payments during the CHOW processing period, refer to Program Integrity Manual, CMS Publication 100-08, Chapter 10, § 5.5.2.5.

III. BUSINESS REQUIREMENTS TABLE

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

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
14071.1	Contractors shall be aware of new updates in Chapter 3, sections 130-130.2, with additional information related to Change of Ownership (CHOW) instructions.	X	X	X	X					
14071.2	Contractors shall understand that the primary source for information on CHOW is located in the Centers for Medicare & Medicaid Services (CMS), State Operations Manual (SOW), Publication 100-07, Chapters 2 and 3. Please refer to the manual for any subsequent updates on the information in this section.	X	X	X	X					
14071.2.1	Contractors shall be aware that when the owner of a Part A Medicare provider agreement transfers the provider rights to a new owner, (by sale, lease or other transaction), Medicare regulations state that the provider agreement is automatically assigned to the new owner. Refer to 42 C.F.R. § 489.18(c). Such a transfer is called a "Change of Ownership" (CHOW). A CHOW allows the provider's participation in the Medicare program to continue without	X	X	X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	any break in coverage. However, if the new owner chooses to reject assignment of the provider agreement, the old owner's provider agreement terminates, and the new owner must apply to the CMS for certification as a new Medicare Provider. This is not a "CHOW." Just as any other new provider, this new provider is not eligible for payment for services that it provided to beneficiaries before the date on which the CMS approves its application to participate in Medicare. Refer to: 42 C.F.R. § 489.13(b).									
14071.3	Contractors shall be aware that when an existing provider agreement is assigned to a new owner, the new owner is subject to all the applicable statutes and regulations, terms and conditions under which the existing agreement was issued. One of these statutes requires the adjustment of ongoing payments to the provider to account for prior overpayments and underpayments. Under a CHOW, there is no change in the provider agreement; only the owner has changed. Therefore, when a new owner accepts assignment of the Medicare provider agreement, the Contractor continues to adjust any payments it makes to the provider.	X	X	X	X					
14071.4	Contractors shall understand that in a CHOW, the new	X	X	X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	owner that receives automatic assignment of the Medicare provider agreement also accepts responsibility for any overpayments that Medicare made to the old provider, whether those overpayments are currently outstanding or are determined after the CHOW. This rule applies even if the overpayments relate to a cost report or other time periods before the CHOW. Therefore, after the contractor receives the tie-in notice from CMS or the State Survey Agency (SA) confirming that CMS or the SA has approved the CHOW, the Contractor contacts only the new/current owner to collect any overpayments. It pursues all collection remedies against the new/current owner via (1) recoupment; (2) offset against Medicaid payments; (3) correspondence to the new/current owner; or (4) referral to the United States Department of the Treasury (Treasury).									
14071.5	Contractors shall be aware that after a CHOW, the Contractor issues any provider underpayments to the new owner, even if the underpayment relates to cost years or other periods before the CHOW. Such underpayments include, but are not limited to, underpayments which result from reimbursement appeals (regardless of whether they result from administrative or court decisions, from administrative resolutions or from court settlements).	X	X	X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	Contractors verify if there are any underpayments. If so, the contractors shall recoup funds and apply to outstanding overpayments from any underpayments that are determined for the provider and refund any excess amounts.									
14071.6	Contractors shall be aware that if the new owner does not reject automatic assignment of the previous owner's Medicare provider agreement, the assignment will occur automatically, consistent with Medicare regulations. Therefore, the Contractor shall recover overpayments from the new/current owner, regardless of the terms of any sales or other transfer agreement.	X	X	X	X					
14071.7	Contractors shall be aware that a new owner that accepts assignment of the prior owner's Medicare provider agreement is responsible for any overpayments, regardless of the basis for the determination of the overpayments, unless the overpayments are under fraud investigation. In the case where the previous owner was under a fraud investigation, the assignment of the overpayment would not pass to the new owner.	X	X	X	X					
14071.8	Contractors shall be aware of that once the Contractor receives a tie-in notice from the CMS or SA, indicating that the CHOW processing is complete, the Contractor deals exclusively with the new owner on issues	X	X	X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	pertaining to the provider. Where there has been more than one CHOW, the Contractor deals with the provider's current owner of record.									
14071.9	Contractors shall send demand letters or overpayment notification letters only to the providers' current owner. Refer to CMS Publication 100-06, Chapter 3, Section 40.1 & 40.2.	X	X	X	X					
14071.10	Contractors shall send payment/s resulting from a reimbursement appeal to the providers current owner. This includes, but is not limited to, payments that result from administrative or court decisions, from administrative resolutions or court settlements.	X	X	X	X					
14071.11	Contractors shall be aware that when CMS asks the Contractor to reduce ongoing Medicare payments to recoup a Civil Money Penalty, (CMP) the Contractor collects the CMP from ongoing payments to the current owner, regardless of the dates for which the CMS imposed the CMP.	X	X	X	X					
14071.12	Contractors shall be aware if the new owner rejects the assignment of the provider agreement, there is a voluntary termination of the old owner's provider agreement on the date of the	X	X	X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	sale or other transfer. There would be no CHOW of the Medicare agreement, and the previous owner would still be responsible for any outstanding overpayments. Contractors follow normal collection processes to recoup any outstanding debt from the previous owner.									
14071.12.1	Contractors shall be aware that if the new owner wants to participate in the Medicare Program, they must apply as a new provider, under a new Medicare Provider Agreement. The new provider will not be eligible to receive Medicare reimbursement for services rendered to beneficiaries before the date CMS approves the new application.	X	X	X	X					
14071.12.2	Contractors shall be aware of that providers must undergo a compliance survey, which cannot take place until after the date on which the old owner terminates its Medicare participation and the new owner has begun providing services.	X	X	X	X					
14071.12.3	Contractors shall understand that in the case of the rejection of the provider agreement, the new owner will not be able to participate in the Medicare Program until a valid provider	X	X	X	X					

Number	Requirement	Responsibility								
		A/B MAC			DME MAC	Shared-System Maintainers				Other
		A	B	HHH		FISS	MCS	VMS	CWF	
	agreement is issued from CMS. The Contractor seeks recovery of all overpayments and issues all underpayments to the last owner of record under the terminated provider agreement.									

IV. PROVIDER EDUCATION

None

Impacted Contractors: None

V. SUPPORTING INFORMATION

Section A: Recommendations and supporting information associated with listed requirements: N/A

"Should" denotes a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:

Section B: All other recommendations and supporting information: N/A

VI. CONTACTS

Post-Implementation Contact(s): Contact your Contracting Officer's Representative (COR).

VII. FUNDING

Section A: For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

ATTACHMENTS: 0

Medicare Financial Management Manual

Chapter 3 - Overpayments

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130 – Change of Ownership (CHOW)

*130.1 – Impact of Change of Ownership and Assignment of Medicare Provider
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120 - Reserved for Future

(Rev. 13235; Issued: 05-22-25; Effective: 06-23-25; Implementation: 06-23-25)

130 – Impact of Change of Ownership (CHOW) on the Overpayments and Debt Referral Process

(Rev. 13235; Issued: 05-22-25; Effective: 06-23-25; Implementation: 06-23-25)

When a provider undergoes a CHOW where the new provider accepts assignment of the previous owner's Medicare agreement, the responsibility for repaying any outstanding and future overpayments resides with the new owner. Exception: If any of the overpayments determined for a fiscal year when the previous owner had assignment were discovered due to fraud, the responsibility for the repayment of the overpayments does not shift to the new provider. It stays with the old provider. A sales agreement stipulating that the new owner is not liable for the overpayments made to the previous owner is not evidence enough for recovery from the new owner to not occur. Medicare was not a part of the sales agreement. That is a civil matter, and it would be up to the new owner to enforce the sales agreement. If the new owner assumes assignment of the Medicare agreement, Medicare will attempt to recover from the new/current owner regardless of the sales agreement. The *Contractor* attempts collection from the new owner. If this is not successful and the *Contractor* has reasonable evidence that the previous owner can repay the overpayment it should refer the case to the *RO*. The *RO* will confer with the *Office of General Council* (OGC) and decide if the case warrants collection from the previous owner. This *action* should be completed before the debt is transferred to the Department of Treasury.

The primary source for information on Change of Ownership (CHOW) is located in the Centers for Medicare & Medicaid Services (CMS) State Operations Manual (SOM), Publication 100-07, Chapters 2 and 3. Please refer to that manual for any subsequent update on the information in this section.

When the owner of a Part A Medicare provider agreement transfers the provider rights to a new owner, (by sale, lease or other transaction), Medicare regulations state that the provider agreement is automatically assigned to the new owner. Refer to 42 C.F.R. § 489.18(c). Such a transfer is called a "Change of Ownership" (CHOW). A CHOW allows the provider's participation in the Medicare program to continue without any break in coverage.

However, if the new owner chooses to reject assignment of the provider agreement, the old owner's provider agreement terminates, and the new owner must apply to the CMS for certification as a new Medicare Provider. This is not a "CHOW." Just as any other new provider, this new provider is not eligible for payment for services that it provided to beneficiaries before the date on which the CMS approves its application to participate in Medicare. Refer to: 42 C.F.R. § 489.13(b).

For more information on payments during the CHOW processing period, refer to Program Integrity Manual, CMS Publication 100-08, Chapter 10, § 5.5.2.5.

130.1 – Impact of Change of Ownership and Assignment of Medicare Provider Agreement on Overpayments and Underpayments

(Rev. 13235; Issued: 05-22-25; Effective: 06-23-25; Implementation: 06-23-25)

Assignment of Medicare Provider Agreement:

When an existing provider agreement is assigned to a new owner, the new owner is subject to all of the applicable statutes and regulations, terms and conditions under which the existing agreement was issued. One of these statutes requires the adjustment of ongoing payments to the provider to account for prior overpayments and underpayments. Under a CHOW, there is no change in the provider agreement; only the owner has changed. Therefore, when a new owner accepts assignment of the Medicare provider agreement, the Contractor continues to adjust any payments it makes to the provider.

A. The Contractor Collects All Overpayments from the New Owner

In a CHOW, the new owner that receives automatic assignment of the Medicare provider agreement also accepts responsibility for any overpayments that Medicare made to the old provider, whether those overpayments are currently outstanding or are determined after the CHOW. This rule applies even if the overpayments relate to a cost report or other time periods before the CHOW. Therefore, after the contractor receives the tie-in notice from CMS or the State Survey Agency (SA) confirming that CMS or the SA has approved the CHOW, the Contractor contacts only the new/current owner to collect any overpayments. It pursues all collection remedies against the new/current owner via (1) recoupment; (2) offset against Medicaid payments; (3) correspondence to the new/current owner; or (4) referral to the United States Department of the Treasury (Treasury).

B. The Contractors Recoup funds first on any outstanding Overpayments from any Underpayments before releasing the excess amounts back to the new provider.

After a CHOW, the Contractor issues any provider underpayments to the new owner, even if the underpayment relates to cost years or other periods before the CHOW. Such underpayments include, but are not limited to, underpayments which result from reimbursement appeals (regardless of whether they result from administrative or court decisions, from administrative resolutions or from court settlements). Contractors verify if there are any underpayments. If so, the Contractors shall recoup funds and apply to outstanding overpayments from any underpayments that are determined for the provider and refund any excess amounts.

C. Sales/Transfer Agreements between Owners are not Binding in Medicare Program

If the new owner does not reject automatic assignment of the previous owner's Medicare provider agreement, the assignment will occur automatically, consistent with Medicare regulations. Therefore, the Contractor shall recover overpayments from the new/current owner, regardless of the terms of any sales or other transfer agreement.

D. Overpayments Related to Fraud

A new owner that accepts assignment of the prior owner's Medicare provider agreement is responsible for any overpayments, regardless of the basis for the determination of the overpayment unless the overpayment is under fraud investigation. In the case where the previous owner was under a fraud investigation the assignment of the overpayment would not pass to the new owner.

***130.2 – The Contractors Contact Only the Owner of Record
(Rev. 13235; Issued: 05-22-25; Effective: 06-23-25; Implementation: 06-23-25)***

Once the Contractor receives a tie-in notice from the CMS or SA, indicating that the CHOW processing is complete, the Contractor deals exclusively with the new owner on issues pertaining to the provider. If there are issues that the Contractor is unable to resolve, they may contact the Centers for Program Integrity (CPI), Provider Enrollment & Oversight Group (PEOG) and/or the Center for Clinical Standards & Quality (CCSQ), Survey & Operations Group (SOG). Where there has been more than one CHOW, the Contractor deals with the provider's current owner of record.

A. Overpayment/Demand Letters

The Contractors shall send demand letters or overpayment notification letters only to the provider's current owner. Refer to CMS Publication 100-06, Chapter 3, Section 40.1 & 40.2.

B. Refunds Based on Appeal Decisions

The Contractor sends payment/s resulting from a reimbursement appeal to the providers current owner. This includes, but is not limited to, payments that result from administrative or court decisions, from administrative resolutions or court settlements.

C. Civil Money Penalties (CMP) Imposed for Quality-of-Care Deficiencies

When the CMS asks the Contractor to reduce ongoing Medicare payments to recoup a CMP, the Contractor collects the CMP from ongoing payments to the current owner, regardless of the dates for which the CMS imposed the CMP.

130.3 – Effect of New Owner’s Rejection of Assignment of the Medicare Provider Agreement

(Rev. 13235; Issued: 05-22-25; Effective: 06-23-25; Implementation: 06-23-25)

Assignment of Medicare Provider Agreement:

If the new owner rejects the assignment of the provider agreement, there is a voluntary termination of the old owners provider agreement on the date of the sale or other transfer. There would be no CHOW of the Medicare agreement, and the previous owner would still be responsible for any outstanding overpayments. Contractors follow normal collection processes to recoup any outstanding debt from the previous owner. If the new owner wants to participate in the Medicare Program, they must apply as a new provider, under a new Medicare Provider Agreement. The new provider will not be eligible to receive Medicare reimbursement for services rendered to beneficiaries before the date CMS approves the new application. For providers which must undergo a compliance survey, that survey cannot take place until after the date on which the old owner terminates its Medicare participation and the new owner has begun providing services. In the case of the rejection of the provider agreement, the new owner will not be able to participate in the Medicare Program until a valid provider agreement is issued from CMS. The Contractor seeks recovery of all overpayments and issues all underpayments to the last owner of record under the terminated provider agreement.