CMS Manual System	Department of Health & Human Services (DHHS)
Pub 100-06 Medicare Financial Management	Centers for Medicare & Medicaid Services (CMS)
Transmittal 202	Date: January 6, 2012
	Change Request 7436

NOTE: Transmittal 192, dated July 29, 2011, is being rescinded and replaced by Transmittal 202, dated January 6, 2012, to correctly identify the parties responsible for implementing business requirements 7436.4, 7436.5, and 7436.6. All other information remains the same.

SUBJECT: Recovery Audit Program MAC-issued Demand Letters

I. SUMMARY OF CHANGES: While the Recovery Auditors (formerly known as Recovery Audit Contractors or RACs) have been responsible for the issuance of demand letters throughout the demonstration and thus far in the national program, this Change Request shifts the responsibility to the MACs, and reflects the program's desire to increase consistency and efficiency through automation. This Change Request concurrently updates pre-existing 100.5 requirements, so they more closely reflect the current mass adjustment process.

EFFECTIVE DATE: January 1, 2012
IMPLEMENTATION DATE: January 3, 2012

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	4/100/100.5/Adjusting the Claim

III. FUNDING:
For Fiscal Intermediaries (FIs), Regional Home Health Intermediaries (RHHIs) and/or Carriers:
Funding for implementation activities will be provided to contractors through the regular budget process.

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

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

Attachment – Business Requirements

Pub. 100-06	Transmittal: 202	Date: January 6, 2012	Change Request: 7436

NOTE: Transmittal 192, dated July 29, 2011, is being rescinded and replaced by Transmittal 202, dated January 6, 2012, to correctly identify the parties responsible for implementing business requirements 7436.4, 7436.5, and 7436.6. All other information remains the same.

SUBJECT: Recovery Audit Program MAC-issued Demand Letters

Effective Date: January 1, 2012

Implementation Date: January 3, 2012

I.   GENERAL INFORMATION:

A.   Background: While the Recovery Auditors (formerly known as Recovery Audit Contractors or RACs) have been responsible for the issuance of demand letters throughout the demonstration and thus far in the national program, this Change Request shifts the responsibility to the MACs, and reflects the program's desire to increase consistency and efficiency through automation. This Change Request concurrently updates pre-existing 100.5 requirements, so they more closely reflect the current mass adjustment process.

B.   Policy: Section 302 of the Tax Relief and Health Care Act of 2006.

II.   BUSINESS REQUIREMENTS TABLE:

Use "Shall" to denote a mandatory requirement

Number	Requirement	A/B MAC	DME MAC	FI	CARRIER	RHHI	FISS	MCS	VMS	CWF	OTHER
		\<colspan: Responsibility (place an "X" in each applicable column)\>					Shared-System Maintainers				OTHER
7436.1	The Recovery Auditor shall submit claim adjustments directly to the Enterprise Data Centers (EDCs) via the file-based mass adjustment processes.										Recovery Auditor
7436.2	Manual adjustments shall be performed by the Contractor and shall be limited to those adjustments that cannot be accommodated through more automated means.	X	X	X	X	X					
7436.3	The Contractor shall identify the origin of any manual adjustments by assigning Recovery Auditor adjustment reason and/or discovery codes as appropriate.	X	X	X	X	X					
7436.4	The Contractor shall establish receivables for any Recovery Auditor identified overpayment, following the same process as for any other payment recoupment.	X	X	X	X	X					HIGLAS

Number	Requirement	A / B MAC	D ME MAC	F I	C A R R I E R	R H H I	FISS	MCS	VMS	CWF	OTHER
7436.5	The Contractor shall also issue all demand letters for any Recovery Auditor identified overpayment, following the same process as for any other payment recoupment.	X	X	X	X	X					HIGLAS
7436.6	The Contractor and HIGLAS shall include instructions to contact the appropriate Recovery Auditor in all demand letters associated with Recovery Auditor identified improper payments.	X	X	X	X	X					HIGLAS
7436.7	The shared system maintainers shall make any changes necessary to support the above requirements, including no longer suppressing automatic generation of demand letters for Recovery Auditor receivables.							X			HIGLAS
7436.8	The Contractor shall be responsible for fielding any administrative concerns, such as issuance of demand letters and timeframes for recoupment and the appeals process.	X	X	X	X	X					
7436.9	The Recovery Auditor shall remain responsible for any audit specific communications, such as reviewer rationale inquiries.										Recovery Auditor
7436.10	The Contractor shall forward HIGLAS outcome/transaction files to the Recovery Auditor, if applicable, and shall ensure that the EDCs return the appropriate FISS/MCS/VMS files directly.	X	X	X	X	X					EDC
7436.11	The Contractor shall also upload outcome/transaction files to the RAC Data Warehouse until that system is able to obtain them directly.	X	X	X	X	X					

III. PROVIDER EDUCATION TABLE:

Number	Requirement	A / B MAC	D ME MAC	F I	C A R R I E R	R H H I	FISS	MCS	VMS	CWF	OTHER
7436.12	A provider education article related to this instruction will be available at http://www.cms.hhs.gov/MLNMattersArticles/ shortly after the CR is released. You will receive notification of the article release via the established "MLN Matters" listserv.	X	X	X	X	X					CMS

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B M A C	D M E M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
	Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article shall be included in your next regularly scheduled bulletin. Contractors are free to supplement MLN Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.										

IV.   SUPPORTING INFORMATION:

Section A: For any recommendations and supporting information associated with listed requirements, use the box below: N/A

Use "Should" to denote a recommendation.

X-Ref Requirement Number	Recommendations or other supporting information:
	None.

Section B: For all other recommendations and supporting information, use this space: N/A

V. CONTACTS:

Pre-Implementation Contact(s):   Jennifer Elmezzi (410)786-1023 jennifer.elmezzi@cms.hhs.gov

Post-Implementation Contact(s): Contact your Contracting Officer's Technical Representative (COTR) or Contractor Manager, as applicable.

VI. FUNDING:

Section A: For *Fiscal Intermediaries (FIs), Carriers, and Regional Home Health Intermediaries (RHHIs)*:

Funding for implementation activities will be provided to contractors through the regular budget process.

Section B: *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

100.5 - Adjusting the Claim
(Rev.202, Issued: 01-06-12, Effective: 01-01-12, Implementation: 01-03-12)

The CMS may grant the Recovery Auditor read only access to the CWF (and any other systems at the CMS's sole discretion) to obtain additional information pertaining to potential improper payments. The Recovery Auditor shall submit claim adjustments directly to the Enterprise Data Centers (EDCs) via the file-based mass adjustment processes; manual adjustments via the MAC/Contractor shall be limited to those that cannot be accommodated through more automated means. The MAC/Contractor shall identify the origin of any manual adjustments by assigning Recovery Auditor adjustment reason and/or discovery codes as appropriate. The MAC/Contractor shall establish receivables and issue all demand letters for any Recovery Auditor identified overpayment, following the same process as for any other payment recoupment. All demand letters shall include the initiating Recovery Auditor name and contact information. The MAC/Contractor shall be responsible for fielding any administrative concerns, such as the issuance of demand letters and timeframes for recoupment and the appeals process. The Recovery Auditor shall remain responsible for any audit specific communications, such as reviewer rationale inquiries.

The Recovery Auditor is required to routinely enter the RAC Data Warehouse and provide updates on the claim review process, although reporting adjustment outcomes and subsequent transactions is the exclusive domain of the MAC/Contractor. The MAC/Contractor shall forward HIGLAS outcome/transaction files to the Recovery Auditor, if applicable, and shall ensure that the EDCs return the appropriate FISS/MCS/VMS files directly; the MAC/Contractor shall also upload both sets of files to the RAC Data Warehouse until that system is able to obtain them directly.

The MAC*/Contractor* shall not make overpayment/underpayment adjustments on zero dollar claims unless the MACs*/Contractors* are contacting the providers to notify them of a new denial reason.