

# CMS Manual System

## Pub 100-06 Medicare Financial Management

Transmittal 91

Department of Health & Human Services (DHHS)

Centers for Medicare & Medicaid Services (CMS)

Date: FEBRUARY 17, 2006

Change Request 4151

**SUBJECT: Clarification of Instructions in Pub. 100-6, Chapter 5 Financial Reporting, Section 310.4 - Line 4(a) through (e), Reclassified CNC Debt (Principal & Interest).**

**I. SUMMARY OF CHANGES:** This instruction corrects the contradiction in instructions with 310.4 to 400.20 in handling CNC debt that is reclassified due to collections of cash or offsets.

### NEW/REVISED MATERIAL

**EFFECTIVE DATE: \*March 17, 2006**

**IMPLEMENTATION DATE: March 17, 2006**

*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	5/310.4/Line 4(a) through (e), Reclassified CNC Debt (Principal & Interest)

### III. FUNDING:

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 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: 91	Date: February 17, 2006	Change Request 4151
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**SUBJECT: Clarification of Instructions in Pub. 100-6, Chapter 5 Financial Reporting, Section 310.4 - Line 4(a) through (e), Reclassified CNC Debt (Principal & Interest).**

## I. GENERAL INFORMATION

**A. Background:** Chapter 5, section 310.4 of the IOM has directions that contradict with the more recent instructions of section 400.2. Both sections address the handling of Currently Not Collectible (CNC) Debt.

**B. Policy:** The current policy of 400.2 requires that all debt reaching 180 days must be recommended for CNC reclassification. Also, if a partial payment of a CNC debt takes place, only the collected amount would be reclassified as active on the Form CMS-H/M751 report(s) with the collection being applied against the interest first, and then to principal. If the collection does not satisfy the entire debt, the remaining balance of that debt would remain as CNC.

## 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 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	
4151.1	If a collection takes place on an established CNC debt, the contractor shall apply payment against interest first, and then to principal.	X	X	X	X					
4151.2	Contractors shall reclassify as active only the portion of the CNC debt that was collected.	X	X	X	X					
4151.3	If the collection does not satisfy the entire debt, contractors shall keep the remaining balance of that debt as CNC.	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	
4151.4	Contractors shall continue to accrue interest for debt that has been reclassified as CNC.	X	X	X	X					
4151.5	If a collection takes place due to collection by cash, the amount of the collection shall be reported on Line 6b, Transfers In from CNC and Line 4a, Cash/Check Collections on Form CMS-H751A/B.	X	X	X	X					
4151.6	If the outstanding balance of the CNC debt is greater than the amount collected, then the contractor shall keep the remaining balance of the debt in CNC.	X	X	X	X					
4151.7	Medicare contractors shall continue to accrue interest for debt that has been reclassified as CNC.	X	X	X	X					
4151.8	If a collection takes place due to collection by offset, the amount of the collection shall be reported on Line 6b, Transfers In from CNC and Line 4b, Offset Collections on Form CMS-H751A/B.	X	X	X	X					
4151.9	If a CNC debt is re-established as active A/R due to misstatement or misclassification, the contractor shall report the amount of the misstatement or misclassification on Line 6b, Transfers In from CNC on Form CMS-H751A/B.	X	X	X	X					
4151.10	The contractor shall enter the number and amount of CNC debt that has been approved for written-off closed on Line 4d, Written-Off Closed on Form CMS-C/M751A/B.	X	X	X	X					
4151.11	Contractors shall use line 4e, Other, to make corrections to Form CMS-C/MC751A/B.	X	X	X	X					

**III. PROVIDER EDUCATION**

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	
	N/A.									

**IV. 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: N/A**

**E. Dependencies: N/A**

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

## V. SCHEDULE, CONTACTS, AND FUNDING

<p><b>Effective Date*:</b> March 17, 2006</p> <p><b>Implementation Date:</b> March 17, 2006</p> <p><b>Pre-Implementation Contact(s):</b> Aliza Kim 410-786-7576 Aliza.Kim@cms.hhs.gov</p> <p><b>Post-Implementation Contact(s):</b> Aliza Kim 410-786-7576 Aliza.Kim@cms.hhs.gov</p>	<p><b>No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.</b></p>
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### **310.4 - Line 4(a) through (e), Reclassified CNC Debt (Principal & Interest)**

*(Rev.91, Issued: 02-17-06, Effective: 03-17-06, Implementation: 03-17-06)*

Reclassified CNC debt reported on Line 4a, Re-established as Active Accounts Receivable (A/R) Due to Collection of Cash; Line 4b, Re-established as Active A/R Due to Collection by Offset; and Line 4c, Re-established as Active A/R Due to *Misstatement or Misclassification* must agree with the total amount reported on Line 6b, Transfers In from CNC on Form CMS-H/M 751A/B. Medicare contractors must retain all documentation supporting any reclassified amounts.

4. The contractor reports in Lines:
  - a. Re-established as Active Accounts Receivable (A/R) Due to Collection of Cash (Principal & Interest). The contractor enters the amount of CNC debt that is re-established as active debt because cash/checks have been collected on CNC debts during the FY. Simultaneously, *the amount of the collection shall be reported on Line 6b, Transfers In from CNC and Line 4a, Cash/Check Collections on Form CMS-H/M751A/B.* The effect of this transaction will reclassify the debt from an inactive memorandum entry to an active receivable that will be reported for financial statement purposes. Additionally, if the outstanding balance of the CNC debt was greater than the amount collected, the remaining balance of the debt *shall remain in CNC. Medicare contractors shall continue to accrue interest for debt that has been reclassified as CNC.*
  - b. Re-established as Active A/R Due to Collection by Offset (Principal and Interest.) The contractor enters the amount of CNC debt that is re-established as active debt because offsets have been made on CNC debt during the FY. Simultaneously, *the amount of the offset collection shall be reported on Line 6b, Transfers In from CNC and Line 4b, Offset Collections on Form CMS-H/M751A/B.* The effect of this transaction will reclassify the debt from an inactive memorandum entry to an active receivable that will be reported for financial statement purposes. Additionally, if the outstanding balance of the CNC debt was greater than the amount collected, the remaining balance of the debt *shall remain in CNC. Medicare contractors shall continue to accrue interest for debt that has been reclassified as CNC.*
  - c. Re-established as Active A/R Due to *Misstatement or Misclassification* (Principal & Interest). The contractor enters the amount of the CNC debt that has been re-established to be active debt because the CNC debt is now determined to *be a misstatement or misclassification. Simultaneously, the amount of the misstatement or misclassification shall be reported on Line 6b, Transfers In from CNC on Form CMS-H/M751A/B.* The effect of this

transaction will reclassify CNC the debt from an inactive memorandum entry to an active receivable that will be reported for financial statement purposes.

- d. Written-off Closed (Principal & Interest). The contractor enters the number and amount of CNC debt that has been approved for written-off closed during the FY. The receivables will be "closed" in its internal systems. No further action will be taken on these debts. CNC debts that are written-off as closed will not be reported on the financial statements, and all collection activity (i.e., future offsets or interest accruals) and servicing of the debt will be terminated. The debts will be closed within the contractor's records, reports, and accounts receivable systems. These debts will be written-off and closed through Form CMS-C/*MC*751A/B, on line *4d*. These debts **shall not be reactivated** on Form CMS-H/*M*751A/B.

**NOTE:** Medicare contractors cannot write-off debt until formal approval has been received from the appropriate authorized official in accordance with the existing CMS delegations of authority

- e. Other (Principal & Interest). The contractor *shall* use line *4e* only to make corrections to Form CMS-C/*MC*751A/B beginning principal and interest FY balance. Medicare contractors must retain all documentation justifying any adjustments made to the beginning balance.