

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-06 Medicare Financial Management</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 12734</b>	<b>Date: July 24, 2024</b>
	<b>Change Request 13695</b>

**SUBJECT: Updating IOM 100-06, Chapter 4, Section 70.16 - Debt Close-Out**

**I. SUMMARY OF CHANGES:** The purpose of this Change Request (CR) is to update the debt close-out process upon the contractor's receipt of the CMS RO/OGC close-out response spreadsheet. The contractor shall complete the debt close-out process within the specified timeframe.

**EFFECTIVE DATE: August 23, 2024**

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

**IMPLEMENTATION DATE: August 23, 2024**

*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.

<b>R/N/D</b>	<b>CHAPTER / SECTION / SUBSECTION / TITLE</b>
R	4/70/16/Debt Close-out

**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: 12734	Date: July 24, 2024	Change Request: 13695
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**EFFECTIVE DATE: August 23, 2024**

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**IMPLEMENTATION DATE: August 23, 2024**

## I. GENERAL INFORMATION

**A. Background:** The purpose of this Change Request (CR) is to update the debt close-out process upon the contractor's receipt of the CMS RO/OGC close-out response spreadsheet(s). The contractor shall complete the debt close-out process within the specified timeframe.

**B. Policy:** An agency closes out a debt when it determines that further debt collection actions are prohibited or the agency does not plan to take any future actions (either active or passive) to try to collect the debt. CMS shall respond within 30 days after receipt of the close-out request, except for cases exceeding the CMS' delegated authority. For those cases exceeding the CMS authority, the CMS shall forward the case to the Office of General Counsel (OGC) with the CMS' recommendation, within 30 days of receipt of the contractor's request.

## II. 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	
13695.1	Contractors shall upon receipt of the CMS RO/OGC close-out response, complete the close-out process by making the necessary adjustments in HIGLAS to formally close-out the debt(s) and assign the appropriate AR write-off status code to terminate collection activity.	X	X	X	X					
13695.1.1	Contractors shall complete the process no later than 30 days from receipt of the response.	X	X	X	X					

## III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility				
		A/B MAC			DME MAC	CEDI
		A	B	HHH		
	None					

**IV. 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

**V. CONTACTS**

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

**VI. 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

## Chapter 4 - Debt Collection

Table of Contents  
*(Rev. 12734; Issued: 07-24-24)*

Transmittals Issued for this Chapter

## **70.16 - Debt Close-Out**

*(Rev. 12734; Issued: 07-24-24; Effective: 08-23-24; Implementation: 08-23-24)*

An agency closes out a debt when it determines that further debt collection actions are prohibited or the agency does not plan to take any future actions (either active or passive) to try to collect the debt.

Contractors shall submit the following debts for close-out (termination of collection action).

- Non-MSP provider/supplier debts with a combined principal and interest balance of less than \$25. The HIGLAS Auto Write-Off Program (AWOP) will systematically close-out these particular debts based on non-excluded transaction types that are 180 days old (from the demand letter/determination date) with no collections within the last 60 days.
- MSP debt with a combined principal and interest balance of less than \$25. The HIGLAS AWOP will systematically close-out these MSP debts that are at least 120 days old (from the demand letter/determination date) with no collections within the last 60 days.
- MSP debt where the debtor is deceased. The contractor shall not close-out these debts when the debtor is deceased and the estate is still open or when the MSP claim arises from a wrongful death, survival or other cause of action claiming medical damages incurred by the beneficiary where the settlement, judgment or award is awarded to an individual or entity other than the beneficiary's estate. The contractor shall also not terminate collection action or close-out debts that are in litigation and/or under negotiation by the Office of General Counsel (OGC) or the Department of Justice (DOJ).
- Non-MSP beneficiary debts with a principal balance less than \$50.
- Non-MSP beneficiary debts with principal balance between \$50 and \$999.99, over 425 days old, the last payment date is greater than 365 days old, and the contractor has verified there are no other collections for the same beneficiary.
- Non-MSP beneficiary debts greater than or equal to \$1,000, have been referred to the Social Security Administration (SSA), have no collections, over 425 days old, and the last payment date is 365 days old.
- Debts greater than six years old that have been returned to agency (RTA) by Treasury and the contractor has performed the required steps to resolve and/or research the debt to confirm the RTA status. Debts with a combined principal and interest balance less than \$25 do not require any research. This includes debts that have been returned to agency (RTA'd) with a combined principal and interest balance less than \$25 but later exceeds \$25 as a result of accrued interest while awaiting close-out review.
- Certain debts that have not been referred to Treasury (non-RTA) for various reasons such as bankruptcy or litigation. The contractor shall submit the justification and supporting documentation, including OGC correspondence for such debt close-outs.
- Debts, of any amount, regardless of age that cannot be validated, should be recommended for termination of collection action and close-out. For example, when debts are received as a result of a contractor transition where no electronic or paper records are available, and other debts where no records are available to support the balances. The contractor shall make a concerted effort to validate the debts before selecting this option. A listing of this debt shall be forwarded to the Office of Financial Management/Financial Services Group/Division of Financial Services and Debt Management (OFM/FSG/DFSDM) Director for approval. The list should contain the reason for

termination of collection action and close-out recommendation that provides reasonable evidence to substantiate that the claim is no longer available.

### **Delegations of Authority for Closing-Out Debts Less Than \$25**

- CMS has authority to terminate collection action and close-out debts that have a combined principal and interest balance less than \$25.
- The contractor not utilizing HIGLAS shall recommend termination of collection activity of debts, once the debt is 180 days old (that is, 150 days delinquent) with no collection activity within the past 60 days.

### **Delegations of Authority for Closing-Out Debt That Was Not Eligible for Referral to Treasury (Non-RTA) and Non-Uncollectible (RU)/Out of Business (RN) RTA Debt**

This delegation of authority only applies to debts not eligible for Treasury referral, such as, bankrupt issuers/health plans/contributing entities or issuer/health plan/contributing entity debts and debts returned to agency (RTA) with a code other than RU/RN (non-RU/RN).

- **Debts with amounts \$100,000 or less (exclusive of interest)** may be approved for termination of collection activity and close-out by CMS.
- **Debts with amounts in excess of \$100,000 (exclusive of interest)** must be referred to the CMS with the Office of General Counsel (OGC) concurrence for the approval process as described by 42 CFR 401.601(c).

### **Delegations of Authority for Closing-Out Returned to Agency Debt that is RU/RN**

- **Returned to Agency Debts classified as RU or RN with amounts of \$500,000 or less (exclusive of interest)** may be approved by the CMS without OGC's concurrence.
- **Returned to Agency Debts classified as RU or RN greater than 6 years old and in excess of \$500,000 (exclusive of interest)** must be referred to the CMS with OGC concurrence for the approval process as described by 42 CFR 401.601(c).

### **Fraud Checks**

A fraud check must be completed for ALL providers/suppliers who have a valid National Provider Identifier (NPI) and has debts submitted for close-out. Before any debts can be submitted to the CO or RO, the contractor shall submit a fraud check request to the Center for Program Integrity (CPI). Fraud checks shall be performed through CPI's Unified Case Management (UCM) system for providers/suppliers that have an NPI.

The contractor shall use the following instructions for requesting fraud check reports.

1. The contractor shall create an Excel spreadsheet listing the NPIs and names of the providers/suppliers. The NPIs and provider/supplier names shall be obtained from the related debt close-out spreadsheet. The contractor shall use the naming format FraudChk\_Contractor-Jurisdiction\_Reviewer\_Period Ending (example – FraudChk\_ABC-J2\_RO\_FY19Q4) when naming/saving the file(s).
2. The contractor shall email its fraud check request spreadsheet along with a completed CPI data request form to CPIFraudcheck-OFMDebt@cms.hhs.gov with the subject line "Contractor/Jurisdiction Fraud Check Request" (example – ABC/J2 Fraud Check Request).

3. The contractor shall expect to receive the fraud check report from CPI within one week of sending the fraud check request to CPI. The contractor shall use the fraud check report to determine if the provider/supplier has an open fraud case. Please note the following:
  - The NPI is listed in column A (PRVDR\_NPI\_NUM).
  - Column B (UCM\_FRAUD\_CHECK) will indicate a “Y” if the NPI was found in UCM. An “N” in column B will indicate that there are no records listed for the NPI. Therefore, all other fields will be blank.
  - If there is a “Y” in column B, proceed to column P (RFRL\_OPEN\_IND) to determine if the case is open or closed. If there is a “Y”, the case is open which means that the provider’s/supplier’s debts are not eligible for close-out. An “N” indicates that the provider’s/supplier’s fraud case is closed.
  - If there are more than one open and/or closed fraud case for a given provider/supplier, filter column P with the “Ys” only to get only those providers/suppliers with open fraud cases. If all entries for a given NPI have an “N” in columns B or P, then the debt is eligible for RO or CO close-out review/approval. However, if one or more of a given provider/supplier NPI’s entries has a “Y” in column P, the NPI’s debts are not eligible to be submitted for RO or CO close-out review/approval.

The contractor shall include a copy of the fraud check report for the NPIs that are included on the particular debt close-out spreadsheet that is sent to the CO or RO.

### **Debt Close-out Request Submission**

The contractor shall submit two separate quarterly debt close-out reports utilizing the Debt Close-Out Request template/spreadsheet. These reports shall be submitted to CMS no later than the first day of the second month of each quarter (i.e., November 1, February 1, May 1, and August 1). If this day falls on a weekend or federal holiday, the next business will be the due date. The contractor utilizing HIGLAS shall only include new debts with a combined principal and interest balance greater than or equal to \$25. The contractor not utilizing HIGLAS shall include all eligible debts. Each debt shall be considered a separate identifiable debt and shall not be aggregated with other debts. The contractor shall only include provider/supplier debt that is associated with a valid National Provider Identifier (NPI).

The contractor shall include in the first report, debts that are not eligible for Treasury referral (e.g., beneficiary, deceased provider/supplier), referred to as non-Return to Agency (non-RTA) debts, and non-RU/RN debts (other than bankruptcy debts) with principal balances up to \$100,000 and RU/RN debts with principal balances up to \$500,000. The debts listed on this report will be reviewed and approved by the RO (CMS CO for Medicare Secondary Payer (MSP) debts).

The contractor shall include in the second report, which is for debts that will be reviewed by OGC, non-RTA and non-RU/RN debts (other than bankruptcy debts) with a principal balance greater than \$100,000 and RU/RN debts with a principal balance greater than \$500,000, provided that all categories of debts are greater than 6 years old.

**Debts that will be reviewed by OGC shall also include the following documentation:**

#### **Part A Debts**

1. Notice of Program Reimbursement (NPR) - **(cost report debts only)**
2. Initial demand letter
3. Final appeal decision letter sent from contractor’s appeals department to overpayments department (decision only, exhibits not required)
4. Intent to Refer (ITR) letter
5. Most recent Extended Repayment Schedule (ERS) – **(if applicable)**
6. A report from PECOS and/or copies of 855 Forms showing:

- i. date the debtor's Medicare enrollment ended; or
- ii. identifying information on all owners/managing employees/directors; and
- iii. whether there are owners/managing employees/directors of the debtor company who are affiliated with a provider/supplier that is still operating in the Medicare program. If so, the MAC shall also include identifying information from PECOS about the company with which he or she is affiliated, including the interest he or she has in that company.

### **Part B and MSP Debts**

(Not required if the provider/supplier has more than more than ten debts requested to be closed out during a quarter. But required for all extrapolated overpayments.)

1. Initial demand letter
2. Intent to Refer (ITR) letter
3. Final appeal decision letter sent from contractor's appeals department to overpayments department (decision only, exhibits not required)
4. Most recent Extended Repayment Schedule (ERS) – **(if applicable)**
5. A report from PECOS and/or copies of 855 Forms showing:
  - i. date the debtor's Medicare enrollment ended; or
  - ii. identifying information on all owners/managing employees/directors; and
  - iii. whether there are owners/managing employees/directors of the debtor company who are affiliated with a provider/supplier that is still operating in the Medicare program. If so, the MAC shall also include identifying information from PECOS about the company with which he or she is affiliated, including the interest he or she has in that company.

For debts that are submitted to CMS that CMS in turn may forward to OGC with CMS's recommendation, the contractor shall provide a separate debt close-out report and certification statement signed by its Chief Financial Officer in accordance with Financial Management Manual, Ch. 4, § 70.17.2 for the debts serviced by a particular OGC Regional Office (RO). The certification statement must state that it covers the listed debts and then list: (1) the number of debts; (2) the total principal balance of the debts; and (3) total interest balance of the debts. The MAC shall use the provider's/supplier's address to determine the OGC RO. Below is the list of the OGC ROs and the states that each RO services. The list can also be found at <https://www.hhs.gov/about/agencies/ogc/key-personnel/regional-offices/index.html>.

- Region I (Boston) - Connecticut, Maine, Massachusetts, New Hampshire, Rhode Island, Vermont
- Region II (New York) - New Jersey, New York, Puerto Rico, Virgin Islands
- Region III (Philadelphia) - Delaware, District of Columbia, Maryland, Pennsylvania, Virginia, West Virginia
- Region IV (Atlanta) - Alabama, Florida, Georgia, Kentucky, Mississippi, North Carolina, South Carolina, Tennessee
- Region V (Chicago) - Illinois, Indiana, Michigan, Minnesota, Ohio, Wisconsin
- Region VI (Dallas) - Arkansas, Louisiana, New Mexico, Oklahoma, Texas
- Region VII (Kansas City) - Iowa, Kansas, Missouri, Nebraska
- Region VIII (Denver) - Colorado, Montana, North Dakota, South Dakota, Utah, Wyoming
- Region IX (San Francisco) - American Samoa, Arizona, California, Guam, Hawaii, Nevada
- Region X (Seattle) - Alaska, Idaho, Oregon, Washington

CMS shall respond within 30 days after receipt of the close-out request, except for cases exceeding the CMS' delegated authority. For those cases exceeding the CMS authority, the CMS shall forward the case to the Office of General Counsel (OGC) with the CMS' recommendation, within 30 days of receipt of the contractor's request.

*Upon receipt of the CMS RO/OGC close-out response, the contractor shall complete the close-out process by making the necessary adjustments in HIGLAS to formally close-out the debt(s) and assign the*



*appropriate AR write-off status code to terminate collection activity. The contractor shall complete the process no later than 30 days from receipt of the response.*