
CMS Manual System

Pub. 100-06 Medicare Financial Management

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

Transmittal 49

Date: JULY 16, 2004

CHANGE REQUEST 2951

I. SUMMARY OF CHANGES: This update to the manual incorporates Change Request 1364 regarding CMS Procedures for Re-issuance and Stale Dating of Medicare Checks, which expired in September, 2002.

NEW/REVISED MATERIAL - EFFECTIVE DATE: August 16, 2004

***IMPLEMENTATION DATE: August 16, 2004**

II. SCHEDULE OF CHANGES (R = REVISED, N = NEW, D = DELETED)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	5/Table of Contents/ Financial Reporting
N	5/420/Procedures for Re-issuance and Stale Dating of Medicare Checks

*III. FUNDING:

These instructions should be implemented within your current operating budget.

IV. ATTACHMENTS:

X	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

*Medicare contractors only

Business Requirements

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SUBJECT: Procedures For Re-Issuance and Stale Dating of Medicare Checks

I. GENERAL INFORMATION

A. Background: This update to the manual incorporates Change Request 1364 regarding CMS Procedures for Re-issuance and Stale Dating of Medicare Checks, which expired in September 2002. In addition, Medicare contractors are instructed to educate providers/physicians/suppliers regarding these procedures.

B. Policy: Legal authority for the CMS' re-issuance and stale dated check policy lies in Medicare regulations published at 42 CFR 424.352.

C. Provider Education: Intermediaries and carriers shall inform affected providers by posting either a summary or relevant portions of this document on their Web site within 2 weeks. Also, intermediaries and carriers shall publish this same information in their next regularly scheduled bulletin. If they have a listserv that targets affected providers, they shall use it to notify subscribers that information about Re-issuance and Stale Dating of Medicare Checks is available on their Web site.

II. BUSINESS REQUIREMENTS

"Shall" denotes a mandatory requirement

"Should" denotes an optional requirement

Requirement #	Requirements:	Responsibility
2951.1	<p>An accounting system/audit trail shall be maintained regarding the status of all checks (beneficiaries and provider/physician/supplier). The system shall be able to identify and report:</p> <ul style="list-style-type: none"> - The balance of all outstanding checks at the end of each month in Section D- Reconciliation and Analysis of Special Bank Account, of Form CMS-1522; -The amount of stale dated checks less than 1 year from the date of issue (if checks must be stale dated in less than 1 year due to State or local banking regulations) as an Other Liability-Other on Form CMS-750 (with a corresponding footnote for the total amount of the checks); and 	Medicare contractors

	-The amount of any liability for undeliverable checks that are voided less than 1 year from the date of issue as an Other Liability- Other on Form CMS-750 (with a corresponding footnote for the total amount of the checks).	
2951.2	Medicare contractors' systems shall be able to obtain/maintain transaction level detail of outstanding checks from their financial institution(s), and reconcile checks monthly to Form CMS-1522 and the Medicare contractor's bank statement.	Medicare contractors
2951.3	Medicare contractors shall enter outstanding checks in the Contractor Administrative Budget Financial Management (CAFM) system data screens for both Part A, Hospital Insurance (HI), and Part B, Supplementary Medical Insurance (SMI).	Medicare contractors
2951.4	Medicare contractors shall continuously review all outstanding checks, take the appropriate action to stale date in conformance with Federal and/or State/local banking regulations, and adjust financial reporting. Medicare contractors must notify financial institutions in writing regarding a change in the status of a check.	Medicare contractors
2951.5	The contractor must be able to identify stale dated checks that are 1 year from the date of issue that should not be included in the amount reported as outstanding checks on Form CMS-1522.	Medicare contractors
2951.6	The contractor shall maintain an audit trail to identify and support actions taken on all (beneficiary and provider/physician/supplier) issued/reissued checks.	Medicare contractors
2951.7	Medicare contractors shall communicate instructions regarding re-issuance and stale dating of Medicare checks with providers/physicians/suppliers through their Web site within 2 weeks and publish information in the next regularly scheduled bulletin.	Medicare contractors

II. 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

Contractor Financial Reporting requirements have not changed, and are itemized in the “Requirements” section above.

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. OTHER CHANGES: N/A

Citation	Change

SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date: August 16, 2004</p> <p>Implementation Date: August 16, 2004</p> <p>Pre-Implementation Contact(s): Eleanor Sheain (410) 786-8120</p> <p>Post-Implementation Contact(s): Eleanor Sheain (410) 786-8120</p>	<p>These instructions should be implemented within your current operating budget.</p>
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Medicare Financial Management Manual

Chapter 5 - Financial Reporting

Table of Contents
(Rev. 49, Issued 07-16-04)

420 – Procedures for Re-issuance and Stale Dating of Medicare Checks

420 - Procedures for Re-issuance and Stale Dating of Medicare Checks

(Rev. 49, Issued 07-16-04, Effective/Implementation: 08-16-04)

Introduction

As part of the Centers for Medicare & Medicaid Services' (CMS) effort to improve financial reporting, we are clarifying the policy for reissuing, stale dating, and reporting outstanding Medicare checks. In December 1993, CMS issued 42 Code of Federal Regulation's (CFR) Subpart M – Replacement and Reclamation of Medicare Payments 424.352: Intermediary and carrier checks that are lost, stolen, defaced, mutilated, destroyed, or paid on forged endorsements. This section provides instructions to Medicare contractors and will establish a standard to manage and report outstanding Medicare checks.

Re-issuing Medicare Checks

All Medicare contractors must reissue checks in accordance with 42 CFR 424.352: Intermediary and carrier checks that are lost, stolen, defaced, mutilated, destroyed or paid on forged endorsements.

The provisions of this regulation require that a Medicare contractor (fiscal intermediary or carrier) perform certain tasks upon notification by a payee that a check has been lost, stolen, defaced, mutilated, destroyed or paid on forged endorsements. These steps are as follows:

- A. The Medicare contractor must contact the financial institution on which the check was drawn to determine whether the check has been negotiated.*
- B. If the check has been negotiated:
 - 1. The Medicare contractor will provide the payee with a copy of the check and other pertinent information (such as a claim form, affidavit or questionnaire to be completed by the payee) required to pursue the claim in accordance with State law and commercial banking regulations.*
 - 2. To pursue the claim, the payee must examine the check and certify (by completing the claim form, questionnaire or affidavit) that the endorsement is not the payee's.*
 - 3. The claim form and other pertinent information are sent to the Medicare contractor for review and processing of the claim.*
 - 4. The Medicare contractor reviews the payee's claim. If the Medicare contractor determines that the claim appears to be valid, it forwards the claim and a copy of the check to the issuing bank. The Medicare**

contractor takes further action to recover the proceeds of the check in accordance with State law and regulations.

- 5. Once the Medicare contractor recovers the proceeds of the initial check, the Medicare contractor issues a replacement check to the payee.*
- 6. If the bank of first deposit refuses to settle on the check for good cause, the payee must pursue the claim on their own, and the Medicare contractor will not reissue the check to the payee.*

C. If the check has not been negotiated:

- 1. The Medicare contractor arranges with the bank to stop payment on the check; and*
- 2. Except as provided in paragraph (D) of 42 CFR 424.352, the Medicare contractor reissues the check to the payee.*

D. No check may be reissued under (C)(2) unless the claim for a replacement check is received by the contractor no later than 1 year from the date of issuance of the original check, unless State law (including any applicable Federal banking laws or regulations that may affect the relevant State proceeding) provides a longer period which will control.

Medicare contractors may receive requests for reissuance of Medicare checks that are older than 1 year. Based on 42 CFR 424.352 (summarized above), Medicare contractors should inform beneficiaries and providers/physicians/suppliers regarding the possibility that State law may provide a more favorable time frame for reissuance. Requests for reissuance based on State law should be forwarded by Medicare contractors to their Regional Office. The Regional Office will work with the Regional Office General Counsel to resolve these requests on a case-by-case basis.

Medicare contractors regularly receive requests for reissuance of Medicare checks that are older than 1 year. Under 42 CFR 424.352 many of these requests must be denied. However, 42 CFR 424.352 applies only to checks that have been lost, stolen, defaced, mutilated, destroyed or paid on a forged endorsement. Accordingly, Medicare checks that are in the physical possession of the payee, have not been defaced or mutilated, and have not been negotiated are not subject to the 1 year time limit for reissuance of 42 CFR 424.352 (d). Therefore, if the criteria below are met, such checks may be reissued by the Medicare contractor even if they are older than 1 year. The criteria are:

- 1. If the payee (beneficiary, physician, supplier, provider, etc.) and/or authorized representative can present the physical check,*
- 2. The Medicare contractor can confirm that the check was not previously reissued, and*
- 3. Reissuance is not barred by a Federal and/or state statute of limitations.*

Any questions that the Medicare contractors have regarding application of the above criteria should be forwarded to their Regional Office. The Regional Office will work with the Regional Office General Counsel to resolve the questions.

Stale Dating of Checks

Medicare contractors are expected to continuously review all outstanding checks, take the appropriate action to stale date checks in conformance with Federal and/or State/local banking regulations, and adjust financial reporting for these actions. Medicare contractors must advise their financial institution of the change in the status of a check.

Outstanding checks are checks that have been issued as payment for Medicare benefits, and have not been presented for payment to a financial institution and subsequently drawn from the Medicare trust funds. Checks are “voided” by rendering them non-negotiable either physically or by placing a stop payment on them.

Stale dated checks are checks that have reached a specific age from date of issue (e.g., 1 year from the date of issuance), and have not been presented for payment to a financial institution and subsequently drawn from the Medicare trust funds. Additionally, once a check has been stale dated and is no longer negotiable, the financial institution must be notified in writing. These checks should not be included in the amount reported as outstanding checks on Form CMS-1522 (see Financial Reporting section below).

The CMS requires all Medicare contractors to have internal guidelines concerning procedures for stale dating checks that are consistent with these instructions. All checks, which reach 1 year from the date of issue and remain outstanding, must be stale dated in accordance with these instructions. Medicare contractors must document their stale dating procedures and activities as part of their written operating policies and procedures. The CMS recognizes that some Medicare contractors may be required to establish a different stale dating policy based on State or local banking regulations. The Medicare contractor must notify CMS Regional Office (Assistant Regional Administrator (ARA) for Medicare Financial Management) and Central Office (Office of Financial Management/Accounting Management Group) in writing when these regulations exist. In the event that a Medicare contractor must stale date checks in less than 1 year (due to State or local banking regulations), that Medicare contractor must recognize and report the value of these checks as an Other Liability-Other on Form CMS-750 (with a corresponding footnote for the total amount of the checks) until 1 year from the date of issue, since the payee has the right to reclaim the funds.

As described above, the general rule for financial reporting is that a liability will not be recorded for checks that have reached the age of 1 year from date of issuance. If a Medicare contractor determines that application of this rule is not appropriate based on experience or knowledge regarding re-issuance of Medicare checks under deference to State law, CMS Regional Office (Regional ARA for Medicare Financial Management) and Central Office (Office of Financial Management/ Accounting Management Group) should be notified in writing so that the accounting implications are properly addressed.

Undeliverable Checks

Medicare providers, physicians, suppliers, and beneficiaries are responsible for providing the Medicare contractor with their current and accurate mailing address.

The Medicare contractors must comply with the policy established by the “Do Not Forward (DNF) Initiative.” This policy requires Medicare contractors to reissue the check based upon the receipt of updated verified address information per Form CMS-855; and if no updated address information has been submitted, then Medicare contractors must void any returned checks.

When a Medicare benefit check has been returned as undeliverable due to DNF, the Medicare contractor will void the check immediately and recognize and report the value of the check(s) as an Other Liability-Other on Form CMS-750 (with a corresponding footnote) until 1 year from the date of issuance, since the payee has the right to reclaim the funds. Checks voided due to DNF may be reissued in accordance with instructions in the preceding section entitled “Re-issuing Medicare Checks.”

Financial Reporting

Outstanding checks must be reported on the Monthly Contractor Financial Report, Form CMS-1522. Medicare contractors must have supportable and auditable documentation to support balances reported.

The Medicare contractors must report:

- 1. The balance of all outstanding checks at the end of each month in section D – Reconciliation and Analysis of Special Bank Account, of Form CMS-1522;*
- 2. The amount of any liability for stale dated checks less than 1 year from the date of issue in the Other Liabilities section of Form CMS-750; and*
- 3. The amount of any liability for undeliverable checks that are voided less than 1 year from the date of issue, in the Other Liabilities section of Form CMS-750.*

Medicare contractors’ systems must be able to obtain/maintain transaction level detail of outstanding checks from their financial institution(s). The Medicare contractor must reconcile outstanding checks monthly to Form CMS-1522 and the Medicare contractor’s bank statement.

There are separate data screens for Part A, Hospital Insurance (HI), and Part B, Supplementary Medical Insurance (SMI) in the Contractor Administrative Budget Financial Management (CAFM) system. Enter outstanding checks data in both data screens, as appropriate.

Medicare contractors must maintain an audit trail to identify and support actions taken regarding all (beneficiary and provider/physician/supplier) issued checks.

Recording of Stale Dated/Voiced Check

<i>Activity</i>	<i>Transaction</i>	<i>Debit</i>	<i>Credit</i>
<i>Receipt of Claim</i>	<i>Program Expense</i>	<i>xxxxx</i>	
	<i>Accounts Payable</i>		<i>xxxxx</i>
<i>Payment of Claim</i>	<i>Accounts Payable</i>	<i>xxxxx</i>	
	<i>Cash</i>		<i>xxxxx</i>
<i>Stale Dated/Voiced Check</i>	<i>Cash</i>	<i>xxxxx</i>	
	<i>Other Liability</i>		<i>xxxxx</i>
<i>Entry after 1 year</i>	<i>Other Liability</i>	<i>xxxxx</i>	
	<i>Program Expense</i>		<i>xxxxx</i>

PROVIDER EDUCATION

This information must be shared with providers/physicians/suppliers through your Web site within 2 weeks and published in your next regularly scheduled bulletin. It should be made clear that providers/physicians/suppliers are responsible for monitoring Medicare reimbursement, and requesting re-issuance of Medicare checks within applicable time frames. Emphasize that providers/physicians/suppliers should ensure that correct address information is on file, and complete Form CMS-855 to update their address if necessary.