

## **Medicare Bad Debt Reimbursement is 65% of uncollected Medicare Co-insurance and Deductibles**



Medicare Bad Debt represents money on the table

## Medicare Bad Debt Summary

A provider's bad debts resulting from Medicare *deductible and coinsurance* amounts that are uncollectible from Medicare beneficiaries are considered in the program's calculation of reimbursement to the provider if they meet the criteria specified in 42 CFR 413.89.

Per 42 CFR 413.89(e), a bad debt must meet the following criteria to be allowable:

- 1.The debt must be related to covered services and derived from deductible and coinsurance amounts.
- 2.The provider must be able to establish that reasonable collection efforts were made.
- 3.The debt was actually uncollectible when claimed as worthless.
- 4.Sound business judgment established that there was no likelihood of recovery at any time in the future.

<https://med.noridianmedicare.com/web/jea/audit-reimbursement/audit/bad-debt>

## **A Medicare Bad Debt must meet the following Criteria:**

1. The debt must be related to a covered service and derived from the Deductible and Coinsurance amounts.
  - A. No Fee for Service. IE. Hospital, Technical Components.
  - B. No Medicare Advantage plans.
2. The provider must be able to establish that reasonable collection efforts were made.
  - A. At least 120 days of collection after first bill.
  - B. First Bill as least within 120 days after the date of the Medicare RA or the RA from the beneficiary's secondary payer, if any; whichever is latest.
  - C. Four documented collection efforts made.
3. The debt was actually uncollectible when claimed as worthless.
4. Sound business judgment indicated there was little likelihood of recovery in the future.

Source: 42 CFR 413.89(e)

## Bad Debt Classification

Providers claiming Medicare bad debt must meet 42 CFR 413.89 and all requirements from Chapter 3 of the Provider Reimbursement Manual (<https://go.usa.gov/xEuwD>).

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9-74 BAD DEBTS, CHARITY, AND COURTESY ALLOWANCES 300

300. PRINCIPLE

Bad debts, charity, and courtesy allowances are deductions from revenue and are not to be included in allowable costs; however, bad debts attributable to the deductibles and coinsurance amounts are reimbursable under the Program.

302. DEFINITIONS

302.1 Bad Debts.--Bad debts are amounts considered to be uncollectible from accounts and notes receivable which are created or acquired in providing services. "Accounts receivable" and "notes receivable" are designations for claims arising from rendering services and are collectible in money in the relatively near future.

302.2 Allowable Bad Debts.--Allowable bad debts are bad debts of the provider resulting from uncollectible deductibles and coinsurance amounts and meeting the criteria set forth in Section 308. Allowable bad debts must relate to specific deductibles and coinsurance amounts.

**Effective for cost reporting periods beginning on or after October 1, 2019, providers must comply with these longstanding Medicare bad debt requirements.**

## What Constitutes Reasonable Collection Efforts?

- ▶ Subsequent billings
- ▶ Telephone calls
- ▶ Collection letters
- ▶ Use of collection agency
  - ▶ A collection agency can be used in addition to or in lieu of other reasonable collection efforts
  - ▶ Any costs associated with the collection agency are allowable to be included as expenses on the cost report but are not allowed to be claimed as part of the bad debt.
    - ▶ The full amount recovered by the collection agency must be deducted from what is claimed on the log, even if a percentage of that was kept by the agency as payment.
- ▶ Must continue for at least 120 days and any payments received restart the clock

# Sometimes Reasonable Collection Efforts are Unnecessary

There are two reasons for which RCE can be skipped

- ▶ **Determined indigency via provider internal policy**
  - ▶ Must be determined by provider not the patient
  - ▶ Must consider a patient's total resources including assets, liabilities, income, and expenses
  - ▶ Must determine no source other than the patient would be legally responsible
  - ▶ Must maintain documentation of how the patient's indigence was determined
- ▶ **State Medicaid refusing payment (crossover bad debt)**
  - ▶ If the patient is covered by Medicaid, then Medicaid must be billed first
  - ▶ Once payment is refused at the state level via a Medicaid Remittance Advice, the account can be included on the Medicare Bad Debt log

## Crossover or Dual-Eligible Bad Debt

- If Medicaid does not pay the complete coinsurance or deductible; a RHC can include this difference as an allowable bad debt on the cost report and Medicare will reimburse you for this bad debt. Keep up with in a separate file.

## Medicare Bad Debt Listing – Write off

Medicare Bad Debts must be written off by the end of the fiscal year to be claimed on the cost report.

Collection efforts must cease.





# Medicare Bad Debt Summary

1. Medicare coinsurance 20% of charges.
2. Medicare deductible of \$226.00 in 2023. (\$240 in 2024)
3. Billed to the Part A MAC.
4. Nothing else is allowed.
5. Must meet Reasonable Collection Efforts (or be determined indigent/Medicaid patient)
6. Must treat everyone the same.
7. Do not have to turn over to collection agency.
8. Must be written off in the fiscal year of the cost report.
9. Collection efforts must cease.

## Capturing the information for Bad Debt

1. Use an Excel Spreadsheet
2. Keep Regular and Crossover Bad Debt in separate spreadsheets
3. Provide Medicare with the spreadsheet.
4. Start early. Start NOW.
5. Provide it to the Preparer ASAP.

# Recoveries of Bad Debt

- ▶ Sometimes recoveries are made after the Bad debt has been claimed. When this happens, bad debt claims in the current period must be reduced by the amount recovered.
- ▶ Identify the amount recovered and the amount previously reimbursed by Medicare (65% of the amount originally claimed). You do not have to reduce your current year claims by more than you were initially reimbursed.



# Common Problems

- ▶ Bad debts not written off in fiscal year
  - ▶ Date collection efforts ceased should fall within the period of the cost report being filed
- ▶ Deductible and Coinsurance columns not matching the total column
  - ▶ If a payment is made, record it on the log as well. Include it as an additional column if necessary.
- ▶ Keyed in dates
  - ▶ Timely billing (date of first bill - Medicare RA date < 120 days)
  - ▶ Complete Reasonable Collection Efforts (date collection efforts ceased - date of first bill >= 120 days)

# Exhibit 2A for Hospitals - For Provider based RHCs ask your cost report preparer

DRAFT

FORM CMS-2552-10

4004.2 (Cont.)

EXHIBIT 2A

LISTING OF MEDICARE BAD DEBTS

PROVIDER NAME: _____		CCN: _____	FYE: _____	PREPARED BY: _____									
BAD DEBTS FOR (CHOOSE ONE): ___ INPATIENT ___ OUTPATIENT				DATE PREPARED: _____									
CLAIM TYPE (CHOOSE ONE): ___ NON-DUALLY ELIGIBLE ___ DUALLY ELIGIBLE/CROSSOVER													
MEDICARE BENEFICIARY													
BENEFICIARY NAME		MHI OR HICN	PATIENT ACCT. NO.	DATES OF SERVICE		MEDI-CAID NO.	DEEMED INDIGENT	REMITTANCE ADVICE DATE		SECON. PAYER REMIT. ADV. REC'D DATE	BENE-FICIARY RESON-SIBILITY AMT.	DATE FIRST BILL SENT TO BENE.	A/R WRITE OFF DATE
LAST	FIRST			FROM	TO			MEDI-CARE	MEDI-CAID				
1	2	3	4	5	6	7	8	9	10	11	12	13	14

LISTING OF MEDICARE BAD DEBTS (CONT.)

COLLECTION AGENCY INFORMATION		COLLECT. EFFT. CEASE DATE	MEDI-CARE WRITE OFF DATE	RECOVERIES ONLY		MEDICARE DEDUCTIBLE AND COINSURANCE AMOUNTS*		CURRENT YEAR PAYMENTS RECEIVED		ALLOW-ABLE BAD DEBTS	COMMENTS
SENT (Y/N)	RETURN DATE			AMOUNT RECEIVED	MCR FYE DATE	DEDUCT.	COINS.	AMOUNT	SOURCE		
15a	15	16	17	18	19	20	21	22	23	24	25
TOTAL											

\* Report deductible and coinsurance amounts only when the provider billed the patient with the expectation of payment. See column 8 instructions for possible exception.