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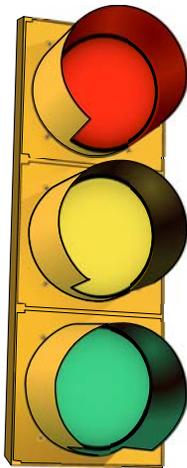
## *Chapter 5 – Financial Management Manual: Section 420 - Procedures for Re-issuance and Stale Dating of Medicare Checks*

**Note:** This article was revised to contain Web addresses that conform to the new CMS web site and to show they are now MLN Matters articles. All other information remains the same.

### Provider Types Affected

Physicians, suppliers, and providers

### Provider Action Needed



#### **STOP – Impact to You**

The Centers for Medicare & Medicaid Services (CMS) is clarifying the policy for re-issuing, stale dating, and reporting outstanding Medicare checks.

#### **CAUTION – What You Need to Know**

This instruction updates the *Medicare Financial Management Manual (Pub. 100-06)* and incorporates Change Request (CR) 1364 (Transmittal AB-01-122, September 10, 2001) regarding CMS Procedures for Re-issuance and Stale Dating of Medicare Checks.

#### **GO – What You Need to Do**

Be aware of these instructions in the event you have a problem in the future regarding lost, stolen, defaced, mutilated, destroyed, forged, or uncashed checks from your Medicare carrier/intermediary.

### Background

This instruction updates the *Medicare Financial Management Manual (Pub. 100-06)* and incorporates Change Request (CR) 1364 (Transmittal AB-01-122, September 10, 2001) regarding the CMS' procedures for re-issuance and stale dating of Medicare checks, which expired in September 2002. Legal authority for the CMS' re-issuance and stale dated check policy is contained in Medicare regulations published at 42 CFR 424.352.

#### Disclaimer

This article was prepared as a service to the public and is not intended to grant rights or impose obligations. This article may contain references or links to statutes, regulations, or other policy materials. The information provided is only intended to be a general summary. It is not intended to take the place of either the written law or regulations. We encourage readers to review the specific statutes, regulations and other interpretive materials for a full and accurate statement of their contents.

### *Introduction*

As part of the CMS effort to improve financial reporting, CMS is clarifying the policy for reissuing, stale dating, and reporting outstanding Medicare checks.

### *Re-issuing Medicare Checks*

In December 1993, CMS issued *42 Code of Federal Regulations (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*. All Medicare contractors must re-issue checks in accordance with 42 CFR 424.352.

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 tasks 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 his or her own, and the Medicare contractor will not re-issue 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 re-issues 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 one 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, in which that state law will apply.

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Medicare contractors may receive requests for re-issuance of Medicare checks that are older than one 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 re-issuance. Requests for re-issuance 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 re-issuance of Medicare checks that are older than one year. Under 42CFR 424.352 many of these requests must be denied. However, 42CFR 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 one-year time limit for re-issuance required by 42CFR 424.352 (d). Therefore, if the criteria below are met, such checks may be re-issued by the Medicare contractor even if they are older than one year. The criteria are:

1. 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. Re-issuance 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., one 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.

### *Undeliverable Checks*

Medicare providers, physicians, suppliers, and beneficiaries are responsible for providing their 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 re-issue 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. Checks voided due to DNF may be re-issued in

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accordance with the instructions in the preceding section titled "Re-issuing Medicare Checks."

## Implementation

The implementation dates for this instruction is August 16, 2004.

## Related Instructions

The *Medicare Financial Management Manual, Pub. 100-06, Chapter 5 (Financial Reporting/ Section 420- Procedures for Re-issuance and Stale Dating of Medicare Checks)* is new. These updated manual instructions will be incorporated into the new Internet-only Office of Financial Management Manual, but are available now as part of the official instruction issued to your carrier/intermediary. This instruction (CR2951) can be found by going to <http://www.cms.hhs.gov/transmittals/Downloads/R49FM.pdf> on the Centers for Medicare & Medicaid (CMS) web site.

If you have any questions, please contact your carrier/intermediary at their toll-free number, which may be found at <http://www.cms.hhs.gov/MLNProducts/downloads/CallCenterTollNumDirectory.zip> on the CMS web site.

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