
Program Memorandum Intermediaries

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

Transmittal A-03-044

Date: MAY 30, 2003

This Program Memorandum re-issues Program Memorandum A-02-043, Change Request 2174, dated May 23, 2002. The only change is the discard date; all other material remains the same.

CHANGE REQUEST 2174

SUBJECT: Audit Guidance Pertaining to Write-offs of Small Debit Balances in Patients' Accounts Receivable

The CMS is aware that some hospitals have a policy for writing off small debit balances in patients' accounts receivable. It is not productive for the Medicare program to spend audit resources to examine these policies for consistent treatment among all classes of payers. Therefore, you are instructed to forego doing a review of such policies for debit balances under ten dollars (\$10.00).

However, during the review/audit of Medicare bad debts, ensure that amounts claimed for other than indigent patients do not include the small debit balances that were written off in accordance with the hospital's policy, unless the hospital followed appropriate collection effort. To accomplish this, follow the guidelines described below.

- a. Disallow the entire Medicare bad debt regardless of the amount if the provider did not bill the Medicare patient for the deductible and/or coinsurance. This is in accordance with PRM-1, Section 310 which specifies that Medicare deductible and coinsurance amounts are allowable as bad debts only if the hospital exerts a reasonable effort to collect them.
- b. Disallow a small debit balance remaining on a larger Medicare deductible and coinsurance (e.g., \$9.00 remaining unpaid on a \$2,000.00 inpatient coinsurance) that was written off before a reasonable collection effort lasting at least 120 days from the date of the first bill was completed.

The effective date for this Program Memorandum (PM) is October 1, 2002.

The implementation date for this PM is October 1, 2002.

These instructions should be implemented within your current operating budget.

This PM may be discarded after May 30, 2004.