

Program Memorandum Carriers

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

Transmittal B-03-058

Date: AUGUST 1, 2003

CHANGE REQUEST 2795

SUBJECT: Procedures for the Reconciliation of Total Funds Expended for Multi-Carrier System (MCS) Medicare Contractors Used in the Preparation of Form CMS-1522, Monthly Contractor Financial Report

I. GENERAL INFORMATION

A. Background:

The Centers for Medicare and Medicaid Services (CMS) requires that Medicare contractors provide a reconciliation of total funds expended reported on the monthly Form CMS-1522 report by the 15th day of the following month. Total funds expended represent payments made for claim and non-claim transactions during each claims payment cycle (i.e., the total of all checks issued, electronic funds transfers (EFT) payments, voided checks, overpayment recoveries, and other financial adjustments). The claims payment cycle varies at each contractor and can be daily, multi-weekly, or weekly.

Form CMS-1522 is a cash-based document and is prepared primarily from MCS system reports, bank statements, and other internal reports. The financial reconciliation includes adjudicated claims processed, other non-claims based payments, overpayment recoveries, and other financial adjustment transactions.

This instruction provides a standard format to perform the reconciliation for contractors that use the Multi-Carrier System (MCS) and requires the MCS Systems Maintainer to generate an electronic file, for each MCS Contractor's payment cycle, which includes all detail claim records that support the totals found on MCS Summary Report #2002.

B. Policy: The CMS continues to have a material internal control weakness for the reconciliation of total funds expended on Form CMS-1522 resulting from the Chief Financial Officers Audit. The reconciliation of total funds expended to adjudicated claims and standard system reports is an important control that validates that the amounts reported by Medicare contractors are accurate, supported, and complete.

II. BUSINESS REQUIREMENTS

Req. #	Requirements	Resp.
xxxx.1	The MCS Systems Maintainer shall generate an electronic file for each contractor's payment cycle, which includes all detail claim records that support the totals found on MCS Summary Report #2002. The MCS Systems Maintainer shall identify only those adjudicated claims that appear on remittance advices and that are identified on MCS Summary Report #2002, and will record those claims records onto a detailed claims data file.	MCS Systems Maintainer

xxxx.2	The MCS Systems Maintainer shall provide an independent report that shows the total number of records on the electronic file (see step above) and the total dollar value for each of the following fields from MCS Summary Report #2002.	MCS Systems Maintainer
xxxx.3	The carrier shall obtain the detailed claims data file and the summary report from the MCS Systems Maintainer for use in the financial reconciliation of total funds expended that is reported on Form CMS-1522 each month. The carrier shall enter the summary totals from each line item from the detailed claims data file, prepared by the MCS Systems Maintainer, into the Excel spreadsheet that will be provided by CMS.	All MCS Contractors
xxxx.4	The Medicare contractor shall submit a standard reconciliation report to CMS, as part of the monthly Form CMS-1522 reports, that validates that a reconciliation is performed between total funds expended and the detail claims data.	All MCS Contractors

III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A – Other Instructions:

X-Ref Req. #	Instructions
xxxx.1	During claims processing, the MCS system maintains a record of all claims processed during the payment cycle, including both adjudicated and non-adjudicated claims. Adjudicated claims include all PIP and non-PIP reimbursement claims, and rejected and denied claims that can be processed by MCS. The non-adjudicated claims include demonstration claims, claims that could not be processed and must be returned to either the provider or the Quality Improvement Organization (QIO), and other exception claims.
xxxx.2	The detailed claims data file prepared by the Medicare contractors must be retained and made available in a format that can be reviewed by CMS or its external auditors.

B – Design Considerations:

X-Ref Req. #	Recommendation for Medicare System Requirements Implementation
	N/A

C - Interfaces:

X-Ref Req. #	Recommendation for Medicare System Requirements
	N/A

D - Contractor Financial Reporting /Workload Impact: The Medicare contractor shall submit a standard reconciliation report to CMS, as part of the monthly Form CMS-1522 reports, that validates that a reconciliation is performed between total funds expended and the detail claims data. MCS system reports, bank statements, and other internal reports used to create the lead reconciliation schedule must be maintained and made available upon request for audit and review by CMS financial personnel and other external auditors.

E - Dependencies: N/A

F - Testing Considerations: N/A

IV. Attachment(s) N/A

Implementation Date: January 1, 2004

Discard Date: January 1, 2005

Effective Date: January 1, 2004

Funding: These instructions should be implemented within your current operating budget.

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