
Medicare

Intermediary Manual

Part 1 - Fiscal Administration

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NEW/REVISED MATERIAL--*EFFECTIVE DATE: October 1, 2002*
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Chapter II, Budget Preparation, §§1200-1222.—These sections are revised to reflect the incorporation of Activity Based Costing (ABC) into the contractor administrative budget and cost reporting process. ABC requires reporting by activity rather than by line item or function, and is effective beginning with the FY 2003 budget and cost reporting cycle.

Provider Enrollment has been removed from the Bills/Claims Payment function and will now be reported separately under the CAFM II code 31000.

The section on overhead has been clarified to indicate that it includes the financial accounting and reporting of overpayments. The definition of overhead has also been refined to refer to contractor reporting and oversight requirements.

This manual issuance introduces the implementation of the Program Management (PM) and Medicare Integrity Program (MIP) Provider Communications (PCOM) functional cost areas, and the MIP Local Provider Education and Training (LPET) functional cost area.

Medicare Secondary Payer has been divided into two distinct functions. New CAFM II codes have been created for postpayment activities.

Chapter III, Budget Execution, §§1320-1321.—These sections are revised to reflect changes to several CAFM II Activity Codes.

These instructions should be implemented within your current operating budget.

DISCLAIMER: The revision date and transmittal number only apply to the redlined material. All other material was previously published in the manual and is only being reprinted.

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1200. GENERAL

The Secretary is authorized to make funds available for administrative costs related to the functions you perform as stipulated in the contract/agreement under the provisions of title XVIII of the Social Security Act. Funds available for this purpose are in the DHHS Appropriation Act. These funds are provided for a fiscal year (FY) beginning October 1. They are not available for obligation and expenditure until released by the Office of Management and Budget in an apportionment that is made on a quarterly basis to preclude an expenditure rate that exceeds the appropriation. Medicare administrative funds will be requested separately for program management (PM) and Medicare Integrity Program (MIP). Report this on CMS's activity level budget and cost reporting system - Contractor Administrative-Budget and Financial Management System (CAFM II).

The Anti-Deficiency Act, 31 USC 1341, provides that no government official or employee may authorize or create an obligation, or make or cause to make an expenditure in excess of an apportionment of appropriated funds. To enforce this prohibition, the Act requires administrative discipline of government officials and employees who inadvertently exceed their authority, and criminal penalties for those who do so knowingly and willfully.

In order for the Secretary to ensure that adequate funds are available and trust funds are efficiently used for the administration of the Federal Health Insurance Program, submit an estimate of administrative costs that are anticipated for the ensuing FY. Predicate the annual budget on the budget and performance requirements (BPRs) issued by CMS and on your previous Medicare cost and productivity experience. Consider unusual or non-recurring type activities that could be part of the historical cost data.

The Secretary will pay contractors for necessary and proper costs of administration as determined by the Principles of Reimbursement in Appendix B of the contract/agreement. The amount of the settlement is subject to audit. Thus, the inclusion of funds in an approved budget or in a subsequent cost statement does not constitute a final determination as to the allowability of such costs. However, it is intended that a mutual agreement on the estimate will facilitate fiscal planning by both you and CMS, and provide a basis for common understanding for determining administrative costs.

The Secretary may also enter into fixed price or other non-cost related agreements. The instructions that follow do not pertain to non-cost related agreements, unless specifically designated in the individual contract.

1200.1 Budget Forms Supply.--Copies of all forms referred to in the ensuing sections can be obtained from the CAFM II System.

1201. THE BUDGET CYCLE

The following annual budget calendar establishes approximate target dates for each phase of the budget cycle to insure an orderly workflow during the planning, preparation, and review of budgets. This calendar may be supplemented and revised in the annual BPRs letter.

- Submit workload estimates (if requested) - February/March.
- BPRs transmitted to you - May/June. (Included in the BPRs is information relative to statement of work, level of effort, program emphases, new program developments and specific recommendations regarding activities of individual contractors.)
- Submit budget requests (BRs) - June/July.
- Negotiations - July through September. Negotiations proceed directly between you and the RO. The RO reaches agreement with you in regard to date, time, and location for negotiations. Conduct negotiations by telephone, correspondence, on-site visits or at the RO.

- Notice of Budget Approvals (NOBA) sent to you - September/October. In the absence of a NOBA, a continuing resolution letter will provide interim funding.
- Budget distribution - 30 days after you receive your initial annual NOBA.
- Budget distribution approval - 30 days after distribution is received by the RO.

To aid you in your preparation and timely submission of required budget preparation reports, see §1267 for a checklist of the due dates and material to submit.

1202. ROLE OF THE REGIONAL OFFICES (ROs)

The ROs have the responsibility of negotiating and approving contractor budgets. The Office of Financial Management has the authority to negotiate and approve budgets for the Blue Cross/Blue Shield Association.

1203. INTRODUCTION OF ABC BUDGET AND COST REPORTING

CMS has incorporated Activity Based Costing (ABC) into the Medicare contractor budget and cost reporting process. ABC is a reporting tool that allows managers to understand the root causes of costs by identifying a company's "end-to-end" business processes. ABC focuses on the cost of the work activities associated with operating a business in lieu of the standard cost centers in the traditional cost accounting structure. An activity is defined as a unit or description of work usually done by one or more persons belonging to the same office, branch or other small group. A function is a unique operation, which is separately identifiable, such as Bills Payment, Appeals, or Medical Review. An activity is a subcategory of a Medicare function.

The activities performed by a contractor may vary depending upon the functions performed by that contractor. A listing of all contractor activities and codes is available within the CAFM II reporting system utilized for Medicare contractor budget and cost reporting. As activity codes are developed and updated, they are comprehensively described through the annual BPRs process in Activity Dictionaries that contain the associated definitions and tasks for each activity.

Costs are allocated and reported separately by PM and MIP functions and activities. Contractors and CMS are not allowed to co-mingle the PM and MIP funding that is appropriated separately by Congress. PM provides funding for claims processing functions, and MIP provides funding for payment safeguard functions.

1204. GENERAL CAFM II SYSTEM INFORMATION

CAFM II is an integrated, mainframe based software system utilized by CMS for the budget, cost, and funds disbursement reporting requirements for both local contractors operating under the terms of the current Medicare contract and those contractors operating under a standard government contract generally pursuant to a solicitation.

1204.1 Budget and Cost Reports.-- The same multi-purpose format is used for the BR, the supplemental budget request (SBR), the Interim Expenditure Report (IER), and the final administrative cost proposal (FACP). The NOBA will be issued on a FY basis, and will provide a cumulative, quarterly distribution of the budgeted funds. Funds will be drawn, via Smartlink, in line with anticipated expenses not to exceed the cumulative, quarterly distribution on the NOBA.

CAFM II requires contractors to identify and report costs on an activity level basis with detailed cost reporting and will sum these costs by function. The system will then generate a separate PM and/or MIP budget that the contractor will certify for accuracy of costs requested. The CAFM II User Manual contains instructions for accessing and inputting data into CAFM II, and §§1212 and 1213 of this manual contain general instructions for completing the screens.

1205. LIST OF ACRONYMS

The following are acronyms that are used frequently throughout the Budget Preparation chapter:

ABC	Activity Based Costing
ABCR	Administrative Budget and Cost Report
ALJ	Administrative Law Judge
BD	Budget Distribution
BI	Benefits Integrity
BPRs	Budget and Performance Requirements
BR	Budget Request
CAFM II	Contractor Administrative-Budget and Financial Management System
CASR	Contractor Auditing and Settlement Report
CCR	Cost Classification Report
CFR	Code of Federal Regulations
CMS	Centers for Medicare and Medicaid Services
CO	Central Office
COB	Coordination of Benefits
CROWD	Contractor Reporting of Operational and Workload Data
CWF	Common Working File
EDP	Electronic Data Processing
EMC	Electronic Media Claims
FACP	Final Administrative Cost Proposal
FAR	Federal Acquisition Regulations
FM	Facilities Management
FY	Fiscal Year
G&A	General and Administrative
IER	Interim Expenditure Report
LPET	Local Provider Education and Training
MR	Medical Review
MIP	Medicare Integrity Program
MSP	Medicare Secondary Payer
NOBA	Notice of Budget Approval
OIG	Office of Inspector General
PCOM	Provider Communications
PET	Provider Education and Training
PI	Productivity Investment
PM	Program Management
PRRB	Provider Reimbursement Review Board
RO	Regional Office
ROI	Return on Investment
SBR	Supplemental Budget Request
UPIN	Unique Physician Identification Number

1210. EXHIBIT OF ADMINISTRATIVE BUDGET AND COST REPORT - ACTIVITY FORM

CONTRACTOR NAME	ADMINISTRATIVE BUDGET AND COST REPORT				IER	ACTIVITY	
ADDRESS LINE 1	MEDICARE CONTRACTORS				EIN: XXXXXXXXXXXXX		
ADDRESS LINE 2	INTERIM EXPENDITURE REPORT				ACCEPT DATE:		
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH:	SUPPLE NO:		
#####	X	XXXX	XXXX	XX	XX	CAFM II	
ACTIVITY	CODE: XXXXX	DESCRIPTION: XX					

<u>COST ITEM</u>	<u>TOTAL ACTIVITY COST</u>
(A)	(B)
SALARIES/WAGES	_____
FRINGE BENEFITS	_____
EDP EQUIPMENT	_____
SUBCONTRACTS	_____
OTHER DIRECT COSTS (SEE SCHEDULE A)	_____
OTHER COSTS (SEE SCHEDULE B)	_____
NON-COB CREDITS (SEE SCHEDULE C)	_____
OVERHEAD	_____
G&A	_____
FEES/PROFIT	_____
 TOTAL COST	 _____
 OTHER ADJUSTMENTS (SEE SCHEDULE D)	 _____
FORWARD FUNDING	_____
 TOTAL ADJUSTED COST	 _____

WORKLOAD	
WORKLOAD 1	_____
WORKLOAD 2	_____
WORKLOAD 3	_____
HOURS	
DIRECT	_____
INDIRECT	_____
SUBCONTRACTS	_____
OVERHEAD/G&A	_____

REMARKS:

ating facilities), travel, **training**, communications, postage, office supplies, material, Medical Review consultants and other consultants under \$25,000, printing costs excluding equipment, and general maintenance, janitorial and security activities.

F. Other Costs-- Use only with the concurrence of CMS. Most contractors are not required to use this category. This category may include other indirect costs, excluding overhead and general and administrative costs that a contractor might propose.

G. Non-COB Credits-- Include the applicable portion of any income, rebate, allowance, or other credits related to total operations. Do not report COB credits in this category (See §1222, Certification Form.)

H. Overhead--Include all personal and non-personal service costs related to service departments and financial, accounting, statistical, **and general oversight activities** as described below.

1. Service Departments--Include all data related solely to the following service areas which support other operations:

- Personnel--Recruiting, testing, hiring, orientation, centralized training staff, maintaining employment files, administration of employee services such as library, recreation unit, cafeteria, health unit, and employee publications.
- Methods and Procedures--Review and analysis of manual (non-EDP) systems.
- Storeroom--Receipt, maintenance, and issuance of materials and supplies. Do not include the cost of the materials or supplies. They are included in the areas where used.
- Printing and Duplication--To the extent possible, distribute the costs related to printing to the appropriate line item responsible for the end product.
- Purchasing--If a separate unit, include all activities related to procurement of materials, supplies, furniture, equipment, and services. This involves only the purchasing activity, not the cost of the purchases.
- Switchboard--If a separate centralized unit, do not include the costs of telephone service identified with other operations.
- Mailroom and Interoffice Messengers--Include the cost and other data related to the activity, unless they can be directly assigned to specific lines. Include the cost of activities such as incoming (receipt, open, sort, batch, and deliver) as well as outgoing mail. Do not include the cost of postage identified with other operations.
- Word Processing Centers.

2. Financial, Accounting, Statistical and Operational Oversight Departments--Includes accounting for and control of benefits, record keeping, and other fiscal tasks, **and compliance with CMS mandated reporting and requirements**.

• Accounting for and Control of Benefits--Include benefit disbursements, reissued checks, bank reconciliations, postpayment review of benefit disbursements for internal control purposes, **and the financial accounting and reporting of overpayments**.

- Record Keeping Tasks--Include general and cost accounting, payroll, inventories (financial, not bills), and receipt of other funds, maintenance of petty cash, and other non-benefit-related disbursements.

- General Oversight Responsibilities--Include budget preparation and cost reporting, internal fiscal audits, company wide audit by CPA firms, statistics maintained and reports prepared in this operation, and external audit liaison with the OIG and GAO.

3. Legal--General corporate legal costs allowable and allocable to Medicare, excluding provider cost report appeals, and other activities directly identifiable to other operations (e.g., reconsiderations and hearings).

I. General and Administrative--Include total cost allocated to Medicare for the following:

1. General Management--Individuals responsible for overall corporate or Medicare matters. Prorate the cost of individuals responsible for more than one operation, but not responsible for overall corporate or Medicare matters to the operations for which they are responsible. Charge the Medicare Coordinator (the person responsible for the overall Medicare operation) to General and Administrative.

2. Contractor Operations Specialist--Include the cost of contractor operations specialists, CMS on-site representatives, including the cost of services and space furnished to CMS.

J. Fee/Profit--Include only if allowed by contract/agreement, but only when payable from the Government. (Also see Other Adjustments below.)

K. Total Cost--The sum of A-J above. Total cost excludes those accruals included in Other Adjustments and Forward Funding, as defined below.

L. Other Adjustments--Include items for which reimbursement is not yet due per 48 CFR 52.216-7(b), but which should be accrued to the period being reported. For example, include subcontract costs for which services have been received, but payment has not been made to the subcontractor or fees which have been earned (non-COB credits and fee/profit), but for which payment is not payable by CMS. CMS will provide guidance as to which activity to report for fee/profit.

M. Forward Funding--Include the outstanding costs to be incurred for CMS-approved items for which funding has been received, but the services extend into the subsequent FY. As costs are incurred, these costs should be reported in A through J thus reducing the forward funding balance. This category is not applicable to the budget request. If CMS has approved projects for forward funding, then costs must be reported on the September IER and the FACP.

N. Total Adjusted Cost--The sum of K through M above. See Note in §1361 for instructions for administrative draws.

O. Workloads 1-2-3--Some activities may not have discrete workloads; other activities may have several workloads and some only one workload. Do not fill in unless directed by CMS. Workloads for bills, inquiries, and appeals may be prefilled from workload reporting data drawn from Contractor Reporting of Operational and Workload Data (CROWD) reports. Other workloads will be input by the contractor as directed by CMS. See §1213 for specific workloads to report.

P. Hours-Direct, Indirect, Subcontracts, and Overhead/G&A .--Separately identify productive hours associated with salaries and wages and overhead/G&A. Compute estimated hours per employee in accordance with the Schedule of Net Hours Available, Form CMS-3258. (See §1223.) Round net productive hours to the nearest hour. Use Indirect and Subcontracts Hours only with the concurrence of CMS.

Include hours directly assigned or otherwise allocated to a particular activity during the FY. Include or exclude, as appropriate, personnel hours loaned and borrowed by each operation. Include hours incurred by temporary help furnished by outside organizations. For this reporting requirement, temporary help must meet all the following criteria:

- Directly supervised by your personnel;
- Services performed on your premises;
- Used for limited time periods; and
- Obtained from an outside agency.

Distinguish between temporary help and certain types of subcontractors, such as data entry, where the services are used as an interim measure to alleviate peak period workloads. Subcontract personnel provide a product or service, but do not meet the criteria for temporary help. Examples of subcontractors are: programmers who contract to provide software, but are not under direct control of your personnel, and clerical personnel working offsite.

EXCEPTION: Do not report hours for employees assigned to general maintenance, janitorial and security activities as they relate to your facility's upkeep and protection. Include related personal service costs (salaries, wages, and fringe benefits) as part of Other Direct Costs.

1212.10 Allocation of Overhead and General and Administrative Costs.--Allocate overhead and general and administrative costs to all activities. These allocations should be based on the ratio of each activity's total costs to the sum of all activity costs. Included in costs are salaries and wages, fringe benefits, EDP Equipment, other direct costs, other costs (if applicable), and non-COB credits. Exclude subcontract costs from the calculation.

For example, a contractor only performs a bills payment activity and an appeals activity. The Total Costs prior to "other adjustments" of salaries and wages, fringe benefits, EDP equipment, other direct costs, other costs, and non-COB credits equals \$1,000,000 for the Bills Payment and the subcontract cost is \$100,000. The same costs for appeals are \$250,000 and \$25,000. Overhead for this period totaled \$75,000 and general and administrative (G&A) totaled \$25,000.

	<u>Salaries & Wages, etc.</u>	<u>Overhead Allocated</u>	<u>Percent Allocated</u>	<u>G&A Allocated</u>	<u>Percent Allocated</u>	<u>Subcontracts</u>	<u>Total Cost</u>
Bills Payment	\$1,000,000	\$60,000	80%	\$20,000	80%	\$100,000	\$1,180,000
Appeals	250,000	15,000	20%	5,000	20%	25,000	295,000
Total Cost	\$1,250,000	\$75,000	100%	\$25,000	100%	\$125,000	\$1,475,000

In this example, 80 percent of the overhead and 80 percent of the general and administrative costs were allocated to Bills Payment because salaries & wages, etc. are that percentage of the basis. Subcontract costs, other adjustments and forward funding are not considered in this allocation.

1213. DESCRIPTION OF OPERATIONS

The following provides short descriptions of each function. Operations are first separated into PM or MIP and then by function into activities. Each function may include multiple activities. A list of activity codes is available in CAFM II. Always refer to the General Instructions and/or the BPRs for the most current description of the activities for each function.

Once operational costs are segregated into PM or MIP, activities may be reported as either:

- An operational functional activity;
- A PI activity; or
- A special project activity.

In addition, as directed by CMS, certain specific costs must be identified and accumulated from one or more of the activities and reported a second time for informational purposes on the Miscellaneous Schedule. (See §1219.1.)

After the appropriate activity is selected, cost items are reported in categories on the Activity Form in CAFM II. See §1212.9 for a description of cost categories. Each activity includes the usual direct and indirect charges associated with it. When staff personnel have more than one area of responsibility, allocate their time and cost equitably to the operations involved.

A variety of notification methods will be used to update required cost reporting (i.e., CAFM II “News,” the BPRs, and other performance instructions). CAFM II will have a current list of updated activities, including additions or changes in the PI activities, special project activities, functional activities, and informational reporting on the Miscellaneous Schedule.

1213.1 Bills Payment Function (Summary Level Code 11000).--The Bills Payment function includes the costs and workload(s) associated with processing Medicare bills. The activities included in this function range from the receipt of initial bills to the production of check or EFT payment and remittance advice and Medicare Summary Notice. This function also includes the costs for the common working file host and the UPIN Registry.

1213.2 Appeals Function (Summary Level Code 12000).--The appeals function includes the costs and workload(s) to efficiently and effectively control and respond to requests for appeal of Medicare determinations. This includes all Part A reconsiderations and ALJ hearings processed and all activities related to the Part B review and hearing process. The costs of provider appeals related to cost report settlements should be included as part of the Provider Settlements activity in the Audit function.

1213.3 Inquiries Function (Summary Level Codes 13000 and 33000).--The inquiries function includes the costs and workload(s) associated with inquiries including Medicare customer service or billing inquiries from beneficiaries or providers by telephone, correspondence, walk-in or on-line inquiry. The costs of inquiries received in the Medical Review (MR), Medicare Secondary Payer (MSP), and Benefit Integrity (BI) departments should be charged to those activities.

1213.4 PM Provider Communications (PCOM) Function (Summary Level Code 14000) – These activities meet the broad-based needs of Medicare providers/suppliers for timely, accurate, and understandable Medicare information.

1213.5 Provider Reimbursement Function (Summary Level Code 16000).--See §1274.3. The Provider Reimbursement function includes costs and workload(s) for establishing and maintaining providers' accounting systems, submitting cost reports for quality assurance and provider audits, maintaining records and files for hospital-based physicians, and performing hospital cost reporting activities.

1213.6 Productivity Investments (PI) Function (Summary Level Code 17000) .--Include the cost of activities related to the development and implementation of approved PIs and administrative enhancements as directed by CMS.

A. Activity Codes for PIs.--Activity codes for PIs will be assigned to approved projects. A list of approved PIs will be available in CAFM II. Use only approved PI codes. The miscellaneous PI activity code may be used only on the initial BR and the SBR for projects that have not been approved and do not have an assigned PI activity code. Do not use the miscellaneous PI Activity Code on an IER or FACP.

1. PIs include administrative enhancements and legislative mandates directed by CMS which are considered essential for maintenance of effective program operations. They do not necessarily generate program savings.

2. PIs may include activities that affect more than one Medicare function and are administered as a PI.

3. PIs also include systems conversions and transitions. See D below.

B. PI Funding.--PI funding is generally for first year start up costs only. Funding for subsequent years is generally treated as an ongoing cost, not a PI, and should be included as an ongoing operational cost in the contractor's BR. If PI funding after the first year is requested, a schedule with funding for each FY should be included in the initial request for funding. If CMS determines that PI funding for subsequent FYs is authorized, the contractor should include the PI funding authorized in its BR every year it is authorized.

C. PI Costs.--Report fully allocated costs for each PI including any appropriate overhead. Submit a schedule of all non-incremental costs and hours for any PI request which equals or exceeds a threshold of \$100,000 or 5 percent of the total PM NOBA, net of credits. Include at least the following in the schedule:

1. The amount of the non-incremental costs and hours applicable to each activity/function to equal the total non-incremental cost of the PI.

2. A description of the non-incremental costs by cost category. See §1212.9.

3. If the amount of the non-incremental cost is zero, explain.

If the PI is approved, the applicable non-incremental costs and hours will be reclassified in the NOBA from each applicable activity/function to the approved PI. If the request is for a MIP PI (see §1213.14), use the total MIP NOBA for the threshold amount rather than the PM NOBA. If a NOBA has not yet been issued for the FY, base the threshold calculation on the initial BR. If PI funding is received through a CMS distribution, rather than in response to a contractor request, provide the non-incremental cost schedule upon request from CMS.

D. System Conversions and Transitions--The following costs are included in systems conversions and transitions and may also apply to other projects:

- Project Management Costs--Costs of essential staff/management project support;
- Software Installation Costs--Costs for installing and testing the software;
- File Conversion Costs-- Costs for converting to the new system including the costs of mapping, software development and testing;
- Interface Development and Implementation Costs-- Costs to interface with external programs e.g., for electronic data interchange, check writing, 1099 preparation, other reports and forms;
- Training Costs--Costs of staff training including train the trainer, technical staff and user staff training costs; and
- Other Costs--Costs of provider education, outreach, and post- implementation problem resolution.

E. Cost-Benefit Documentation for PI Projects--

1. General--Before funding will be approved for a project that is proposed by a contractor, it must be demonstrated to be cost-beneficial. A project will generally only be approved if the net present value (NPV) for the project is equal to or greater than zero. The present value of the savings is at least equal to the costs of implementation when both are discounted to the same start date. As a general rule, CMS will only consider projects having a positive NPV over 2 years. However, provide probable costs and savings taken over all years of the project.

This documentation does not supplant the existing prior approval process or the threshold amounts specified in the Medicare contract/agreement for system enhancements and subcontracts.

2. Applicability--Include cost-benefit documentation with all requests for PI funds. The amount of the documentation required depends on the estimated cost and complexity of the project. Administrative enhancements and systems transitions directed by CMS are not subject to this cost-benefit test unless specifically required by CMS.

3. Documentation--Document cost-benefit analysis using NPV calculations of costs and savings discounted to the start date. A narrative explanation of cost-benefit analysis should identify the assumptions for the analysis such as the start date, discount rate, and costs and savings in each fiscal year. Include the following items in documentation:

- Estimated Cost--Show cost items in categories reported for activities. See §1212.9 for cost categories. Provide underlying cost details and the assumptions on which they are based for each material cost item. Include personnel, machine time, materials and outside services in the estimate of costs. Also, include EDP charges and overhead. For capital expenditures in excess of \$500, use standard procedures for establishing the asset's useful life and for the depreciation schedule. CMS pays expenses when incurred; include the proper depreciation and return on investment for the period before implementation in your analysis.

- Administrative Cost Savings--Outline any savings in staff time, postage, and computer time. Include only cost reductions, not cost avoidance. Reduce these savings by increases in administrative costs attributable to the project (e.g., temporary productivity losses due to learning curve, "downtime" for problem resolution, and depreciation for equipment purchased).

- Benefit Savings.--Estimate the amount of benefit savings, if any, which result from preventing or recovering erroneous payments, based on policy in effect at the time of the analysis.
- Discount Rate.--Use the interest rate applicable under the Prompt Payment Act to discount both the savings and costs to the start date. The interest rate is published in the **Federal Register**.
- Start Date.--This is the point in time where the project first incurs costs and is the date in time used to determine the Net Present Value of the project.

F. PI Workload.--Report no workload unless directed by CMS.

1213.7 Medicare Program Administration Function (Summary Level Code 19000).--Use only with the concurrence of CMS.

1213.8 Medical Review (MR) Function (Summary Code 21000).--MR is the efforts taken to prevent, identify, and address claim errors made by providers including manual or automated review of claims to ensure that payments are made for services that are covered and correctly coded. (For further information see the Program Integrity Manual at http://www.hcfa.gov/pubforms/83_pim/pim83toc.htm.)

1213.9 Medicare Secondary Payer (MSP) Function (Summary Level Codes 22000 and 42000).—MSP functions include the costs and workload(s) for the activities that ensure that benefits are properly paid by Medicare as the primary or secondary payer. In addition, this function includes the cost and workload for identification and recovery activities related to mistaken payments for working aged; disabled; ESRD; workers' compensation; auto/liability/no fault; and other MSP activities identified by CMS.

1213.10 Benefit Integrity (BI) Function (Summary Level Code 23000).--The Benefit Integrity function includes the costs and workload(s) associated with receiving and processing complaints or allegations of Medicare fraud and abuse and maintenance of associated data bases. BI also includes self- initiated data analysis to detect potential fraud and maintenance of associated databases, and the development of cases for referral or further action. See work specifically required in §3900.

1213.11 Local Provider Education and Training (LPET) Function (Summary Level Code 24000).--This function assures appropriate claims payment through targeted, remedial, and proactive provider education.

1213.12 MIP Provider Communications (PCOM) Function (Summary Level Code 25000) – These activities meet the broad-based needs of Medicare providers/suppliers for timely, accurate, and understandable Medicare information.

1213.13 Audit Function (Summary Level Code 26000).--The Audit function includes the costs and workload(s) for Provider Desk Reviews, Audits and Settlements. (See §1269).

1213.14 MIP Productivity Investments Function (Summary Level Code 27000).--Use these lines only with specific authorization by CMS for MIP PI. See PM PI §1213.6 for discussion of the PI activities.

1213.15 MIP Medicare Program Administration (Summary Level Code 29000).--Use only with the concurrence of CMS.

1213.16 Provider Enrollment Function (Summary Level Code 31000). -- Provider Enrollment includes the workload and costs of enrolling providers and suppliers in the Medicare program.

1214. EXHIBIT OF SPECIAL PROJECTS FORM

CONTRACTOR NAME	ADMINISTRATIVE BUDGET AND COST REPORT				IER	SPECIAL
ADDRESS LINE 1	MEDICARE CONTRACTORS				EIN:	XXXXXXXXXXXX
ADDRESS LINE 22	INTERIM EXPENDITURE REPORT				ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH:	SUPPLE NO:	
#####	X	XXXX	XXXX	XX	XX	CAFM II

PM SPECIAL PROJECTS SCHEDULE

CODE	DESCRIPTION	SALARIES/ FRINGE	SUBCONT	OTHER	TOTAL	WORKLOAD
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18XXX	XXXXXXXXXXXXXXXXXX	_____	_____	_____	_____	_____
18000	TOTAL	_____	_____	_____	_____	_____

N. Other (Identify in Remarks Section).--This is reserved and should not be used without explicit approval of CMS.

O. Credits.--Include the applicable portion of any income, rebate, allowance, or other credits related to total operations. This includes, but is not limited to, Medicare data used for complementary health insurance and/or Medicaid claims processing by you or another organization. The credits reported must equal the total COB credits reported on the certification schedule plus the sum of non-COB credits included on the activity forms. (See §§1212.9G and 1222.C.)

P. Forward Funding.--See §1212.9M. Use this category only with the FACP.

1221.6 Total.--The sum of the items on Form 2580. The amount in Column D must be identical to the Total Cost of the Budget Request or Total Adjusted Costs of the FACP.

1221.7 Pension Costs.--Identify pension plan expenses included in fringe benefits, Column D.

1221.8 Remarks.--Include any appropriate comments.

1222. EXHIBIT OF CERTIFICATION FORM

CONTRACTOR NAME		ADMINISTRATIVE BUDGET AND COST REPORT			NOBA CERTIFICATION	
ADDRESS LINE 1		MEDICARE CONTRACTORS			EIN: XXXXXXXX	
ADDRESS LINE 2		NOTICE OF BUDGET APPROVAL			ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR:	REPORT YR:	MONTH	SUPPLE NO:	
#####	X	XXXX	XXXX	XX	XX	CAFM II

<u>CREDIT ITEM</u>	<u>AMOUNT</u>
Complementary Credit:	_____
MEDICAID:	_____
MEDIGAP:	_____
Total Credits:	_____

PM ACTIVITY SUMMARY BY FUNCTION

CODE	DESCRIPTION	PROD. HOURS	TOTAL COST	WORKLOAD
11000	BILLS/CLAIMS PAYMENT	_____	_____	_____
12000	APPEALS	_____	_____	_____
13000	BENEFICIARY INQUIRIES	_____	_____	_____
14000	PM-PROVIDER COMMUNICATIONS	_____	_____	_____
15000	PARTICIPATING PHYSICIAN	_____	_____	_____
16000	PROVIDER REIMBURSEMENT	_____	_____	_____
17000	PRODUCTIVITY INVESTMENTS	_____	_____	_____
18000	SPECIAL PROJECTS	_____	_____	_____
19000	MEDICARE PROGRAM ADMIN	_____	_____	_____
31000	PROVIDER/SUPPLIER ENROLLMENT	_____	_____	_____
33000	PROVIDER TELEPHONE INQUIRIES	_____	_____	_____
	CREDITS	_____	_____	_____
TOTAL		_____	_____	_____

CUMULATIVE QUARTELY DISTRIBUTIONS				
FY	FIRST QTR	SECOND QTR	THIRD QTR	FOURTH QTR
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

I CERTIFY TO THE BEST OF MY BELIEF OR KNOWLEDGE THAT THIS DATA IS ACCURATE, COMPLETE, AND CURRENT AS OF THE DATE OF THE EXECUTION OF THIS CERTIFICATE.

CERTIFYING OFFICE _____
 TITLE _____

REMARKS: _____

1320.EXHIBIT OF THE CERTIFICATION SCHEDULE FOR THE IER

CONTRACTOR NAME		ADMINISTRATIVE BUDGET AND COST REPORT			IER CERTIFICATION	
ADDRESS LINE 1		MEDICARE CONTRACTORS			EIN: XXXXXXXXX	
ADDRESS LINE 2		INTERIM EXPENDITURE REPORT			ACCEPT DATE:	
CONTRACTOR NO:	PART:	FUND YR :	REPORT YR:	MONTH	SUPPLE NO:	
#####	X	XXXX	XXXX	XX	XX	CAFM II

CREDIT ITEM	AMOUNT
Complementary Credit:	<u>XXX,XXX,XXX,XXX</u>
MEDICAID:	<u>XXX,XXX,XXX,XXX</u>
MEDIGAP:	<u>XXX,XXX,XXX,XXX</u>
Total Credits:	XXX,XXX,XXX,XXX
Accrued Credits:	<u>XXX,XXX,XXX,XXX</u>
Total Adjusted Credits:	XXX,XXX,XXX,XXX

PM ACTIVITY SUMMARY BY FUNCTION

<u>CODE</u>	<u>DESCRIPTION</u>	<u>TOTAL COST</u>	<u>TOTAL ADJ.COST</u>
11000	BILLS/CLAIMS PAYMENT	_____	_____
12000	APPEALS	_____	_____
13000	BENEFICIARY INQUIRIES	_____	_____
14000	PM-PROVIDER COMMUNICATIONS	_____	_____
15000	PARTICIPATING PHYSICIAN	_____	_____
16000	PROVIDER REIMBURSEMENT	_____	_____
17000	PRODUCTIVITY INVESTMENTS	_____	_____
18000	SPECIAL PROJECTS	_____	_____
19000	MEDICARE PROGRAM ADMIN	_____	_____
31000	PROVIDER/SUPPLIER ENROLLMENT	_____	_____
33000	PROVIDER TELEPHONE INQUIRIES	_____	_____
	CREDITS	_____	_____
TOTAL		_____	_____

ADMINISTRATIVE FUNDS DRAWN

<u>DATE</u>	<u>DRAWN FOR</u>	<u>PRIOR YEAR</u>	<u>PRIOR</u>	<u>PRIOR</u>
	<u>CURRENT</u>	<u>20XX</u>	<u>YEAR 20XX</u>	<u>YEAR 20XX</u>
	<u>YEAR</u>			
MM/DD/YYYY	_____	_____	_____	_____
MM/DD/YYYY	_____	_____	_____	_____
MM/DD/YYYY	_____	_____	_____	_____
MM/DD/YYYY	_____	_____	_____	_____
TOTAL	_____	_____	_____	_____

I CERTIFY TO THE BEST OF MY BELIEF OR KNOWLEDGE THAT THIS DATA IS ACCURATE, COMPLETE, AND CURRENT AS OF THE DATE OF THE EXECUTION OF THIS CERTIFICATE.

CERTIFYING OFFICE _____
 TITLE _____

REMARKS: _____

1321. COMPLETING THE CUMULATIVE INTERIM EXPENDITURE REPORT (IER)

The IER provides cumulative costs for each activity, using the same multiple-use Administrative Budget and Cost Report format referenced in §1211. It adds the Administrative Funds Drawn section to the Certification Schedule as displayed in §1320. Report costs on an "allowable costs" basis in accordance with 48 CFR 52.216-7(b) and on a fully accrued basis including year-end and other adjustments.

Follow these instructions unless you have a contract which contains specific terms and conditions which differ from these instructions. In that case, use these instructions as general guidance only.

IERs will generally be submitted on a monthly basis unless otherwise stated in your contract. Make adjustments, within a FY, to prior interim reports on the subsequent IER. Make adjustments to the October-September IER on the FACP. Submit a revised October-September IER prior to submitting a FACP if the changes are material and the change is discovered prior to preparation of the FACP. (See §1361.) Note all material adjustments.

1321.1 Transmittal and Due Dates.--Transmit the IER via the Contractor Administrative-Budget and Financial Management (CAFM II) System. If the due date falls on a Federal holiday or a weekend, the due date is the next working day. See §1399 for CAFM II IER due dates.

Submit the Contractor Audit and Settlement Report (CMS-1525A) on a periodic basis as required.

1321.2 Completing the IER.--See descriptions in 1212 and as noted below.

1321.3 Hours - Activity Form.--Furnish cumulative, net working (on-duty) hours directly assigned or otherwise allocated to a particular activity in accordance with 1223. For computing net working hours for each activity, use working hours within the activity. Deduct the same company-wide paid leave percentage experienced during the month or use paid leave hours, if available. Exclude non-compensated overtime hours. Include or exclude, as appropriate, personnel hours loaned and borrowed by each activity. Include hours worked by temporary help, furnished by outside organizations. The hours to report for temporary help are those incurred by non-employees who are under your direct supervision. (See 1212.9P.) Round entries to the nearest hour.

1321.4 Costs and Credits - Activity Form.--Round all costs and credits to the nearest dollar.

1321.5 Net Hours Available - Miscellaneous Schedule.--Enter the number of net cumulative productive hours required to convert total incurred productive hours to equivalent staff-years for the reporting period. See 1223.1.

1321.6 Administrative Funds Drawn - Certification Schedule.--This screen is used only with the IER. Report only those draws made during the report month. Reporting of administrative funds drawn is NOT on a cumulative basis. Complete as follows:

- A. Date.--Enter the date the draw is received through Smartlink, not the date requested.
- B. Draw for Current Year.--Enter each draw made during the report month for the current FY.
- C. Prior Year.--Enter any draws made during the report month for prior years under the identified year column.
- D. Total.--CAFM II will calculate the total draws for the month by year. It must agree to the totals reported through Smartlink.