
CMS Manual System

Pub. 100-04 Medicare Claims Processing

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

Transmittal 416

Date: DECEMBER 23, 2004

CHANGE REQUEST 3557

SUBJECT: Interest Payment on Clean Claims Not Paid Timely

I. SUMMARY OF CHANGES: This instruction corrects text in illustrative examples in an existing Medicare Claims Processing manual section to show the appropriate dates on which interest is due, the appropriate total number of days for which interest payment is due, and the correct interest to be paid on certain Medicare claims not paid timely.

NEW/REVISED MATERIAL - EFFECTIVE DATE*: January 25, 2005

IMPLEMENTATION DATE: January 25, 2005

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (N/A if manual not updated.)
(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	1/80.2.2/Interest Payment on Clean Claims Not Paid Timely

III. FUNDING: Medicare contractors shall implement these instructions within their current operating budgets.

IV. ATTACHMENTS:

X	Business Requirements
X	Manual Instruction
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

***Unless otherwise specified, the effective date is the date of service.**

Attachment - Business Requirements

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SUBJECT: Interest Payment on Clean Non-PIP Claims Not Paid Timely

I. GENERAL INFORMATION

A. Background: Medicare Claims Processing Manual Chapter 1, Sections 80.2.2 provides instructions for assessing and calculating interest due on non periodic interim payment (“PIP”) claims not paid in a timely manner by fiscal intermediaries and carriers. Interest is required to be paid for clean claims not paid within 30 days after the day of receipt of a claim. Interest accrues until and including the day of late payment. The current manual section 80.2.2 contains two examples (clean paper claim and clean electronic claim) related to the computation of interest, which incorrectly show the dates on which payment is due, the total days for which interest is due, and the amount of interest to be paid.

B. Policy: Medicare contractors must implement policies shown in the Medicare Claims Processing Manual. The instructions in the manual must show correct examples. Therefore, this instruction is being issued to correct erroneous information.

C. Provider Education: A Medlearn Matters provider education article related to this instruction will be available at www.cms.hhs.gov/medlearn/matters shortly after the CR is released. You will receive notification of the article release via the established "medlearn matters" listserv. Contractors shall post this article, or a direct link to this article, on their Web site and include information about it in a listserv message within one week of the availability of the provider education article. In addition, the provider education article must be included in your next regularly scheduled bulletin. Contractors are free to supplement Medlearn Matters articles with localized information that would benefit their provider community in billing and administering the Medicare program correctly.

II. BUSINESS REQUIREMENTS

“Shall” denotes a mandatory requirement

“Should” denotes an optional requirement

Requirement Number	Requirements	Responsibility (“X” indicates the columns that apply)								
		F I	R H I	C a r r i e r	D M E R C S	Shared System Maintainers				Other
						F I S S	M C S	V M S	C W F	
3557.1	Medicare fiscal intermediaries, carriers and DMERCS shall calculate interest on clean claims not paid timely in accordance with the instructions in Chapter 1, Section 80.2.2 of the Internet Only Medicare Claims Processing Manual.	X		X	X					
3557.2	Medicare fiscal intermediaries, carriers and DMERCS shall update any instructions and publications concerning the calculation of interest on clean claims not paid timely to reflect the changes in the examples in Chapter 1, Section 80.2.2 of the Internet Only Medicare Claims Processing Manual.	X		X	X					

III. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions: N/A

X-Ref Requirement #	Instructions

B. Design Considerations: N/A

X-Ref Requirement #	Recommendation for Medicare System Requirements

C. Interfaces: N/A

D. Contractor Financial Reporting /Workload Impact: N/A

E. Dependencies: N/A

F. Testing Considerations: N/A

IV. SCHEDULE, CONTACTS, AND FUNDING

<p>Effective Date*: January 25, 2005</p> <p>Implementation Date: January 25, 2005</p> <p>Pre-Implementation Contact(s): Thomas Dorsey (410) 786-7434</p> <p>Post-Implementation Contact(s): Appropriate CMS Regional Office</p>	<p>Medicare contractors shall implement these instructions within their current operating budgets.</p>
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80.2.2 - Interest Payment on Clean Claims Not Paid Timely

(Rev. 416, Issued: 12-23-04, Effective: 01-25-05, Implementation: 01-25-05)

Interest must be paid on clean claims if payment is not made within the applicable number of calendar days (*i.e., 30 days*) after the date of receipt as described above. The applicable number of days is also known as the payment ceiling. For example, a clean claim received on October 1, 1993, must have been paid before the end of business on October 31, 1993. Interest is not paid on:

- Claims requiring external investigation or development by the provider's FI *or carrier*;
- Claims on which no payment is due;
- Full denials;
- Claims for which the provider is receiving PIP; or
- HH PPS RAPs

Interest is paid at the rate used for §3902(a) of title 31, U.S. Code (relating to interest penalties for failure to make prompt payments). The interest rate is determined by the applicable rate on the day of payment.

This rate is determined by the Treasury Department on a 6-month basis, effective every January and July 1. Providers may access the Treasury Department Web page, <http://www.publicdebt.treas.gov/opd/opdprmt2.htm>, for the correct rate. Also, the carrier or FI notifies the provider of any changes to this rate.

Interest is calculated using the following formula:

$$\text{Payment amount} \times \text{rate} \times \text{days} \div 365 \text{ (366 in a leap year)} = \text{interest payment}$$

The interest period begins on the day after payment is due and ends on the day of payment.

NOTE: The example below is for one 6-month period in which the interest rate was 5.625 percent.

Milestones	Clean Paper Claim (in calendar days)	Clean Electronic Claim (in calendar days)
Date Received	November 1, 2001	November 1, 2001
Payment Due	<i>December 1, 2001</i>	<i>December 1, 2001</i>
Payment Made	December 4, 2001	December 4, 2001
Interest Begins	December 2, 2001	December 2, 2001
Days for Which Interest is Due	<i>3</i>	<i>3</i>
Amount of Payment	\$100	\$100
Interest Rate	5.625%	5.625%

See section 80.2.1.1 for the definition of EMC and paper claims.

The following formula is used:

For the clean paper claim - $\$100 \times .05625 \times 3$ divided by 365 = $\$.0462$ or $\$.05$ when rounded to the nearest penny.

For the clean electronic claim - $\$100 \times .05625 \times 3$ divided by 365 = $\$.0462$ or $\$.05$ when rounded to the nearest penny.

When interest payments are applicable, the FI or carrier reports the amount of interest on each claim on the remittance record to the provider.

PIP/Non-PIP:

Under the periodic interim payment ("PIP") mechanism, a provider receives flat biweekly payments to approximate the average costs of covered inpatient services during a 2-week period. Non-PIP claims are claims made by a provider not under the periodic interim payment mechanism. PIP on inpatient bills does not preclude interest payments on outpatient bills. Interest is paid on a per bill basis at the time of payment.