

CMS Manual System

Pub 100-04 Medicare Claims Processing

Transmittal 883

Department of Health &
Human Services (DHHS)

Centers for Medicare &
Medicaid Services (CMS)

Date: MARCH 10, 2006

Change Request 4352

SUBJECT: Claims Processing Requirements for Medicare Beneficiaries in State or Local Custody Under a Penal Authority - MANUALIZATION

I. SUMMARY OF CHANGES: On November 8, 2002, CMS issued Program Memorandum AB-02-164, CR 2022, which provided instructions on handling claims for beneficiaries that are in State or local custody under a penal authority. This transmittal manualizes CR 2022.

CLARIFICATION/MANUALIZATION

EFFECTIVE DATE: April 10, 2006

IMPLEMENTATION DATE: June 12, 2006

Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. 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 is not updated)

R = REVISED, N = NEW, D = DELETED – *Only One Per Row.*

R/N/D	Chapter / Section / SubSection / Title
N	1/10.4/Claims Submitted for Items or Services Furnished to Medicare Beneficiaries in State or Local Custody Under a Penal Authority

III. FUNDING:

No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.

IV. ATTACHMENTS:

Business Requirements

Manual Instruction

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

IV. SUPPORTING INFORMATION AND POSSIBLE DESIGN CONSIDERATIONS

A. Other Instructions:

X-Ref Requirement #	Instructions
CR 2022	This instruction manualizes our original instruction CR 2022. The instructions are not changing. Continue to follow CR 2022 as you have been.

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

V. SCHEDULE, CONTACTS, AND FUNDING

Effective Date*: April 10, 2006 Implementation Date: June 12, 2006 Pre-Implementation Contact(s): Renée Hildt at renee.hildt@cms.hhs.gov or (410) 786-1446 Post-Implementation Contact(s): Appropriate Regional Office	No additional funding will be provided by CMS; contractor activities are to be carried out within their FY 2006 operating budgets.
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Medicare Claims Processing Manual

Chapter 1 - General Billing Requirements

Table of Contents *(Rev. 883, 03-10-06)*

Crosswalk to Old Manuals

10.4 - Claims Submitted for Items or Services Furnished to Medicare Beneficiaries in State or Local Custody Under a Penal Authority

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(Rev. 883, Issued: 03-10-06, Effective: 04-10-06, Implementation: 06-12-06)

Under Sections 1862(a)(2) and (3) of the Social Security Act, the Medicare program does not pay for services if the beneficiary has no legal obligation to pay for the items or services, or if the items or services are or should be paid for directly or indirectly by a governmental entity. These provisions are implemented by regulations 42 C.F.R. § 411.4(a) and 411.4 (b), respectively.

Regulations at 42 CFR 411.4(b) state that “Payment may be made for services furnished to individuals or groups of individuals who are in the custody of the police or other penal authorities or in the custody of a government agency under a penal statute only if the following conditions are met: (1) State or local law requires those individuals or groups of individuals to repay the cost of medical services they receive while in custody. (2) The State or local government entity enforces the requirement to pay by billing all such individuals, whether or not covered by Medicare or any other health insurance, and by pursuing the collection of the amounts they owe in the same way and with the same vigor that it pursues the collection of other debts.”

Exclusion from Coverage:

In accordance with the foregoing statutory and regulatory provisions, Medicare excludes from coverage items and services furnished to beneficiaries in State or local government custody under a penal statute, unless, it is determined that the State or local government enforces a legal requirement that all prisoners/patients repay the cost of all healthcare items and services rendered while in such custody and also pursues collection efforts against such individuals in the same way, and with the same vigor, as it pursues other debts. CMS presumes that a State or local government that has custody of a Medicare beneficiary under a penal statute has a financial obligation to pay for the cost of healthcare items and services. Therefore, Medicare’s policy is to deny payment for items and services furnished to beneficiaries in State or local government custody.

Implementation

CMS has established claim level editing to implement this policy using data received from the Social Security Administration (SSA). Specifically, the data contain the names of the Medicare beneficiaries and time periods when the beneficiary is in such State or local custody. These data will be compared to the data on the incoming claims. CWF will reject claims where the dates from the SSA file and the dates of service on the claim overlap. Any claims rejected by CWF will contain a trailer to the Medicare contractor indicating the date span covered. Contractors will, in turn, deny payment of such claims.

However, providers and suppliers that render services or items to a prisoner or patient in a jurisdiction that meets the conditions of 42 CFR 411.4(b) should indicate this fact with the use of modifier QJ (for carrier or Durable Medical Equipment Regional Carrier (DMERC) processed claims) or condition code 63 (for intermediary processed claims).

Appeals:

A party to a claim denied in whole or in part under this policy may appeal the initial determination on the basis that, on the date of service, (1) the conditions of § 411.4(b) were met, or (2) the beneficiary was not, in fact, in the custody of a State or local government under authority of a penal statute.

Intermediary/RHHI Claims Processing Procedures

Intermediaries must deny claims for items and services rendered to beneficiaries under State or local government custody when CWF rejects the claim. Provide appeal rights as specified above.

Providers that render services or items to a prisoner or patient in a jurisdiction that meets the conditions of 42 CFR 411.4(b) should indicate this fact on the claim. Providers should use the “63” condition code. This condition code indicates that the provider has been instructed by the state or local government agency that requested the healthcare items or services provided to the patient that it is the policy of the State or local government that the prisoner or patient is responsible to repay the cost of healthcare items and services and that it pursues collection of debts incurred for furnishing such items or services with the same vigor and in the same manner as any other debt.

Carrier/DMERC Claims Processing Procedures

Carriers and DMERCs must deny claims for items and services rendered to beneficiaries when rejected by CWF. Provide appeal rights as specified above.

Physicians and other suppliers that render services to a prisoner or patient in a jurisdiction that meets the conditions of 42 CFR 411.4(b) should indicate this fact on the claim. Providers should use the QJ modifier. Language approved for QJ reads:

“Services/items provided to a prisoner or patient in State or local custody, however, the State or local government, as applicable, meets the requirements in 42 CFR 411.4(b).”

This modifier indicates that the physician or other supplier has been instructed by the state or local government agency that requested the healthcare items or services provided to the patient that State or local law makes the prisoner or patient responsible to repay the cost of Medical services and that it pursues collection of debts incurred for furnishing such items or services with the same vigor and in the same manner as any other debt.