

## Medicare Crossover Bad Debt

All hospital associations serving states in the Palmetto GBA A/B MAC Jurisdiction M received complaints of Medicaid crossover claims written off as contractual adjustments (rather than bad debt) being denied as Medicare bad debt on their cost reports. It is Palmetto GBA's determination that crossovers must be written off the patient's account with a bad debt adjustment code rather than a Medicaid Contractual adjustment code. Palmetto GBA auditors are also tracking these claims to assure they are being recorded as a bad debt on hospital income statements. Instructions regarding Medicaid contractual adjustments are included in **Section 312** of the [Medicare Program Reimbursement Manual](#).

In response to this change in audit procedures, the South Carolina, North Carolina, Virginia and West Virginia hospital associations sent a [joint letter](#) requesting CMS reconsider these determinations and reverse the adjustments. In early February 2019, the associations, along with a coalition of impacted member hospitals and legal counsel, King and Spalding, met directly with CMS staff at their Baltimore home office. While we have not received a formal response from CMS, we have received notification from an Official from the CMS office of Financial Management (via email), stating that, while the official does not know when we might receive a formal response from CMS, providers must be in compliance with the accounting classification requirement for Medicare bad debt for cost reporting periods beginning on or after October 1, 2019. This is to say that Medicaid crossovers must be written-off as bad debts beginning October 1, 2019. Even more recently, on March 29, 2019 Palmetto GBA themselves [published an update](#) very specifically instructing hospitals to charge crossover bad debts to an expense account for uncollectible accounts (bad debt).

We have been hesitant to communicate this potential requirement prior to receiving any formal notification from CMS; however, we now feel that these instructions from Palmetto GBA sufficiently verify CMS' verbal agreements at our earlier meeting. We have heard from several members that are reluctant to make this change as it may require a lot of systems and budgetary changes, but we strongly encourage you to communicate this issue in detail to your auditors as soon as possible to make your final determinations.

As we communicated earlier, CMS has instructed Palmetto GBA not to close any open cost report audits until all of these issues have been resolved. We strongly suggest that you closely review all cost report communications and contact Palmetto GBA if you receive any notice of bad debt rejections. CMS has commented on the re-opening of closed audits but has not formally committed to reversing these denials on previously completed (NPR'd) audits. We will provide these responses as they are received from CMS or Palmetto GBA.

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