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Credit Balances, Refunds, Unclaimed Property	Document Number	8.1
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	Revision Number	7.4
	Approved	YES
	Total pages	15
	USPI Forms	YES

Section A: Purpose

Timely resolution of credit balances helps maintain the integrity of the center's Accounts Receivable and follows legal and ethical standards among governmental organizations, insurance payors, and patients alike.

Section B: Policy

It is the policy of USPI to ensure that:

1. Every effort is made to resolve credit balances.

2. The Accounts Receivable balance is correctly stated.

3. Monies that are to be refunded are approved and then accurately refunded.

4. Unclaimed property is turned over to the government at the appointed time.

5. Exceptions to this policy are in writing and approved by the Senior Vice President of Revenue Cycle.

Section C: Persons Affected

Anyone involved in reviewing credit balances in the patient accounting system (PAS), processing refunds, and handling returned refund checks.

Section D: Responsibilities

1. The administrator or CBO Director is responsible for approving all refunds to patients and payors and for ensuring that the patient's A/R balance is accurate.

2. The business office manager (BOM) or CBO Director is responsible for training staff on the credit balance policy, approving all credit balances and unapplied payments, entering refunded amounts into the PAS, and handling returned refund checks.

3. The business office manager (BOM) or CBO Director is responsible for reviewing monthly credit balance reports to ensure policy compliance and for reviewing the 18th month credit balance list and reversing the credits that are over 18 months old.

4. The business office manager (BOM) or CBO Director is responsible for writing up all exceptions to this policy and obtaining approval from the Vice President of Business Office Operations.

5. The business office manager (BOM) or CBO Director is responsible for training all applicable employees on any approved exceptions to this policy.

6. The payment poster is responsible for researching credit balances.

7. A collector who finds an unresolved credit balance is responsible for researching it.

8. The accounts payable user is responsible for generating checks from Oracle AP only when the administrator has approved the refund request.

9. A staff person, appointed by the BOM or CBO Director is responsible for sending overpayment letters as needed. If the carrier requires or prefers the overpayment notification be submitted via their website, follow this process. Document in Comments in PAS.

10. The accountant is responsible for issuing quarterly reports on credit balances.

Section E: Definitions

Accounts Receivables (A/R) are the monies due to the facility for services rendered.

Federal Health Care Program means any plan or program that provides health benefits, whether whether directly, through insurance, or otherwise, which is funded directly, in whole or in part, by the by the United States Government, including, but not limited to:

Medicare, Medicaid/MediCal, Managed Medicare/Medicaid/MediCal, TriCare/VA/CHAMPUS, SCHIP, Federal Employees Health Benefit Plan, Indian Health Services, Health Services for Peace Corp Volunteers, Railroad Retirement Benefits, Black Lung Program, Services Provided to Federal Prisoners, Pre-Existing Condition Insurance Plans (PCIPs) and Section 1011 Requests

Overpayment means the amount of money a facility has received in excess of the amount due and payable under any Federal health care program requirements, including applicable federal statutes, regulations, Medicare or other federal health care program payment manuals, and Medicare Administrative Contractor Local Coverage Decisions or negotiated managed care contract An Overpayment may be the result of non-adherence to Federal health care program requirements, errors in payment processing errors by the payer, or erroneous or incomplete information provided to facility by the patient or responsible party.

Patient Accounting System (PAS) is software the assists a facility in information management, often including credentialing, scheduling, case history, billing and collections, and material management (for example, the AdvantX and SIS systems).

Refund Request Form is a USPI form completed by staff members when a refund is needed, which once approved, becomes the documentation to support the refund check generated via accounts payable.

Substantial Overpayment means any single overpayment or $100,000 or group of payments of $100,000 or more related to the same issue.

Unapplied Payment is a payment or portion of a payment that cannot be identified as correct for any charge on a patient's account. This is also called a credit balance.

Section F: Connections

Part 1: Areas of Exposure

1. Failing to refund government payors may result in significant fines as well as the loss of participation in the Medicare program.

2. Failing to refund patient overpayments could result in overcharging on a case.

3. Failing to reconcile payments from insurance companies could result in over or under payment.

Part 2: Key Controls

1. The business office manager (BOM) or CBO Director approves all credit and unapplied payments on the Monthly Credit Balance report for accuracy at least monthly. BOM or CBO Director should review all credits attached to the Medicare, Medicaid or Medicare replacements to ensure appropriate notification and repayment to these payers.

2. Refunds are reviewed and approved by at least two individuals. The person requesting the refund can not be the same person approving the refund.

3. Overpayment letters are issued to payors as soon as practical when overpayments are identified. Some carriers may have specific overpayment requirements or prefer the overpayment notification to be entered on their website rather than mailing an overpayment letter, please make all efforts to get the carrier's preference to have the electronic overpayment notification rather than having a letter mailed to them. Keep the letter or form on file.

4. All facilities shall immediately notify the Corporate Compliance staff of any Substantial Overpayments either a single claim or group of claims from Federal health care programs of $100,000 or more so that the Overpayments may be further evaluated. The Chief Compliance Officer shall notify the payer of any Substantial Overpayment if the overpayment is related to an act or omission by the facility.

Part 3: USPI's EDGE™ Connection

No connection at this time.

Part 4: Other Policies and Procedures

PAS 7.3 Payment Processing

Section G: Procedures

Part 1: Laying the Groundwork

1. The business office manager (BOM) or CBO Director assigns the appropriate and most qualified personnel in the business office to the credit balance and refund process, to ensure the prevention of miscalculation of credit balances and the inappropriate refunding of facility revenues.

2. The BOM provides the staff member with a username and password for the applicable modules of the PAS, copies of the Managed Care Grid, and PAS 8.1.3 "Refund Request" form.

Part 2: Credit and Overpayment Balances Identified

1. The payment poster identifies overpayments while posting payments.

2. If the third party payor makes a written unsolicited request for refund, a staff member conducts the usual research steps before responding.

3. A collector identifies unresolved credit balances while working the facility Aging report.

Part 3: Research Credit Balances

1. If a credit balance is created when payments are applied, the payment poster researches and establishes the validity of credit or unapplied payment before closing the batch.

2. The payment poster verifiers that the payment is not a duplicate. If the payment is an obvious duplicate, the payment poster completes PAS 8.1.3 "Refund Request" form.

3. The payment poster verifies that the payment is more than the gross billed charges, and completes a facility's refund request form for the amount in excess of billed charges. This can occur for out-of-network claims or claims that have been appealed.

   a. Exception: If a facility finds that a gross billed charge is less than the contractually allowed amount, this is not an overpayment. Do not refund carrier.

4. The payment poster verifies that the data entry is correct and that no misapplied payments exist. If a mistake is found, the payment poster corrects the error.

5. The payment poster confirms that the codes and modifiers shown on the EOB, match the codes and modifiers on the original claim. If they do not match, the payment poster confirms that the original claim had the correct codes and modifiers by communicating with the coder and having them reference the operating report. If they do not match, the payment poster alerts the BOM to initiate a corrected bill.

6. The payment poster verifiers that the proper contractual adjustments were taken in the PAS at time of billing by referencing the Managed Care Grid contract summary sheet or the actual contract, if necessary. If it is incorrect, the payment poster takes a contractual adjustment correction (special codes should be used to describe why the correction is needed) at time of payment and alerts the BOM to correct the contract in the PAS, so that false credit balances do not show in the future.

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7. If multiple procedures were performed, the payment poster verifies that all multiple procedures had the correct contractual adjustment taken and that the payor reimbursed the multiple procedures per the contract. If the payor did not follow the multiple procedure discount per the contract resulting in an overpayment, the payment poster completes PAS 8.1.1 "FORM Overpayment Letter to Payer" or submits an electronic overpayment notification on the carrier's website, as appropriate.

8. If more than one payor paid as primary, the payment poster requests confirmation from the payors regarding who is the correct primary carrier. If overpayment is established, the payment poster sends the overpayment letter or submits an electronic overpayment notification on the carrier's website, as appropriate. Use PAS 8.1.1 "FORM Overpayment Letter to Payer"

9. The payment poster examines issues with the payor when the third party (not Medicare or government payors) paid an amount that is greater than the contractual amount and less than billed charges. If an overpayment is established, the payment poster sends an overpayment letter or submits an electronic overpayment notification on the carrier's website, as appropriate. If the amount of the calculated overpayment is less than $50.00 then the payment poster does not need to send an overpayment letter and may apply the overpayment to the account. This does not apply to government payors. Use PAS 8.1.1 "FORM Overpayment Letter to Payer"

10. The payment poster must resolve all payments with the third party payor before researching a credit that might belong to the guarantor. Do not refund a patient until all follow up with the third party payor is completed for any open date of service.

11. CMS issued its final rule on reporting and returning overpayments known as the "A & B Final Rule". Providers must use applicable claims adjustment, credit balance, self reported refund, or another appropriate process to satisfy the repayment and reporting obligation of this rule. Overpayments should be handled within 60 days to comply with rule. See link for Overpayment brochure information.
    https://www.cms.gov/Outreach-and-Education/Medicare-Learning-Network-MLN/MLNProducts/downloads/OverpaymentBrochure508-09.pdf

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Part 4: Research Credit Balances – Additional Research for Patient

1. Before sending a refund check to the patient, the staff member confirms that all payments with the third party payor are resolved for any open date of service.

2. If patient has an outstanding balance on another date of service, the staff member applies the credit to the unpaid balance and makes a note in the PAS. The staff member sends a letter to the guarantor explaining the transfer.

3. If the patient does not have an outstanding balance on another date of service, the staff member completes the PAS 8.1.3 "Refund Request" form

4. Make every effort to refund the party who actually made the payment. This may be different than the guarantor or patient. If this instance occurs, enter comments to provide the name and address of the person who paid upfront. Do not enter this person as a guarantor unless they are truly responsible for outstanding amounts due.

5. Corrective Action on Overpayments – the facility shall take remedial steps to correct the underlying cause of the Overpayment within sixty (60) days after Identification or within such additional time period as may be agreed to by the payer. The corrective action shall include correcting the underlying cause of the Overpayment and taking remedial action to prevent the Overpayment from recurring

Part 5: Balance and Close Payment Batch

1. The payment poster closes the batch after all overpayments are properly researched and refunds submitted to the business office manager.

2. After closing the batch, the payment poster makes a copy of the documentation to be included, with PAS 8.1.3 "Refund Request" form and the appropriate overpayment letters.

Part 6: Overpayment Letters Sent to Third Party Payors

1. All Federal healthcare programs or government payers - Do not send overpayment letters to government payors (Medicare, Champus, Medicaid, or Tricare). The payment poster immediately no later than 45 days completes the facility's refund request form and/or follows the appropriate notification and repayment process for any Federal healthcare program orgovernment carrier, intermediary, or other entity.

2. Do not send overpayment letters for obvious duplicate payments to any payor. The payment poster completes the PAS 8.1.3 "Refund Request" form.

3. Do not send overpayments letters for payments in excess of billed charges. The payment poster completes the PAS 8.1.3 "Refund Request" form. Unless payment meets exception criteria.

4. On a daily basis, a staff person sends the PAS 8.1.1 "Overpayment Letter" form to each third party payor identified with a non-reconciled overpayment. The letter must include the facility name, patient name, date of service, the insurance company's check number, and a request for clarification of the reimbursement. Document in comments that the overpayment letter has been sent. Or you may submit an electronic overpayment notification on the carrier's website daily, if appropriate. Document in Comments in PAS.

5. Overpayment letters do not need to be sent to third party payors for amount under $50.00. The payment poster should apply the overpayment to the account immediately. This does not apply to Medicare, government payors or patients who receive refunds immediately.

6. Out-of-Network (OON) payors should not be sent over-payment letters. If an OON payor pays more than full bill charges, then refund the amount over the gross charge billed. Since there is not a contract the center can receive up to billed charges as a correct payment.

Part 7: Third Party Payor Replies Payment is Correct

1. If the third party payor clearly agrees in writing the payment is correct, the BOM makes the appropriate journal transactions to apply the credit balance to the patient's account.

2. The BOM files the documentation from the payor in the correspondence file and make comments in the PAS for that patient's account.

Part 8: Third Party Payor Request Refund

If the third party payor requests a refund in response to an overpayment letter, the BOM or designated staff verifies the amount and completes PAS 8.1.3 "Refund Request" form.

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Part 9: Third Party Payor – No Response or Ambiguous Language

If the third party payor responds to the overpayment letter with ambiguous language or does not respond, the BOM leaves the credit balance on the patient's account for at least 18 months from the date of service.

Part 10: Refund Check – Request Approvals

1. When a refund check is needed, a staff member completes the PAS 8.1.3 "Refund Request" form with the name and address to which the refund check is to be sent, attaches supporting documentation, and forwards to the business office manager and the administrator for approval. Notes are entered into the PAS stating the details of the refund request.

2. The business office manager (BOM) or CBO Director signs the completed form.

3. The administrator approves the refund request form before it is entered into Oracle. The only exception is for a center serviced with a central billing office. For these centers the Admin may approve the refund request or the payment register so that refund checks can be issued from Oracle AP. Refunds checks should be processed at the first scheduled a/p run after they have been approved and submitted.

4. The Accounts Payable user references the account number and procedure date of service on the refund check stub. The payment detail is then given back to the BOM to enter the refund into the PAS. Refunds cannot be backed out of the PAS until a check has been issued from AP.

5. The Accounts Payable user should follow all accounts payable policies regarding patient refunds. Including that all refund sites are set to deactivate after 30 days, in order to keep the vendor list smaller.

6. The BOM enters the refund into the PAS to remove the credit balance. Appropriate notes are entered into the PAS to reflect the check number, date mailed, and the amount.

7. The BOM communicates approval to the home office to release the refund check once the refunds have been posted to the PAS.

8. The BOM sends a separate letter of notification. See PAS 8.1.2 "Refund Letter to Patient."

Part 11: Refund Check – Returned by Payor or Guarantor

1. If a refund check is returned with a statement that the account was paid correctly, the BOM saves the letter and photocopy the check.

2. The BOM reports to the Accounts Payable user that the check needs to be voided in Oracle and re-posts the amount to the patient's account in PAS with appropriate comments.

3. The resultant credit balance is immediately applied to the account with the offset taken against the "Contractual Allowance" account. Journal transactions will need to be entered to create the balance for this payment to be posted. Use detailed codes to explain why the check was entered into the PAS.

Part 12: Refund Check – Undeliverable

1. If a refund check is returned as undeliverable, the BOM saves original envelope with postal service markings in the correspondence file and makes a note in the PAS on the patient's account.

2. The BOM researches the payee's correct address by contacting appropriate sources (surgeon's office, employer, insurance carrier, etc.).

3. The BOM re-mails the refund check to the corrected address (if obtained), or the original address, and makes note of the re-mail in the PAS.

4. If the refund check is returned a second time, the BOM files the second envelope in the correspondence file and a photocopy of the check as evidence of attempt to refund making a note in the PAS on the patient's account.

5. The Accounts Payable user voids the check with the bank and in Oracle AP.

6. The BOM reposts the amount to the patient's account as a credit balance with appropriate comments.

7. The resultant credit balance on the account must be held until either the payee is located or the funds are turned over to the state as "Unclaimed Property." The BOM should consult with the Controller/CFO as to the applicable state laws regarding deposition of unidentified or unclaimed property.

Part 13: Write-Off Credit Balances

1. The accountant sends the BOM a list of accounts that over 18 months old from date of service on a quarterly basis. If the BOM does not receive the quarterly credit balance report, she needs to contact the center's accountant by the 15th of the last month of the quarter.

2. The BOM reverses the credit balance with the journal or transaction code for the PAS prior to quarter end.

3. The accountant also sends a list of accounts that are less than 18 months old. These are reviewed by the BOM to ensure no government payors or patient balances are still outstanding. If during the review the BOM finds credit balances due to government payers or patients each one is researched and handled according to the processes outlined in this policy.

Part 14: Sanctions

Penalties for violation of this policy will vary depending on the nature and severity of the violation. Individuals who violate the above will be subject to disciplinary action up to and including termination; legal action by USPI, including but not limited to, criminal prosecution under appropriate state and federal laws; and providing restitution for improper use.

Part 15: Monthly Credit Balance Report

1. The BOM reviews the Monthly Credit Balance Report provided on a monthly basis by the home office and accessible on the USPInsite through Financials. The BOM's review is to be completed by the last day of the month. The report will be run by the Home Office each month by the 6th working day after month end close. If the BOM does not locate the report in the Financials section of USPInsite then he/she should contact the center's accountant.

2. During the review the BOM verifies the accuracy of each credit on the report, verifies that each credit was appropriately handled with either a prompt refund

Part 16: Audit

The internal auditor reviews the documentation, PAS notes and BOM Resource center for work on credit balances.

The internal auditor reviews completed Refund Request Forms as well as activities in Oracle AP and PAS.

Section H: Revision History

Date	Revision Number	Change	Revised Sections
11/01/00	1.0	New document	N/A
05/14/04	2.0	Document reformatted and rewritten	All
02/02/07	3.0	Change to Part 3, item 3	Part 3
04/02/07	4.0	Revised	Part 6
06/14/07	5.0	Part 3, Paragraph #7 New form to be used.	Sect G
11/04/08	6.0	Revised BOM instructions for credit balance review	Sect F, Part 2, Item 1, Part 5, Item 1
11/04/08	6.0	Addition of collector as a responsible party of credit balances	Sect G, Part 2, Item 3
11/04/08	6.0	Revised instructions on mailing refund checks	Sect G Part 10, Items 6, 7
11/04/08	6.0	Revised instructions for returned credits	Sect G, Part 11, Item 3
03/19/09	7.0	Revised	Sect D & G

05/22/09	7.1	Credit balances payments which are reversed and applied to the existing revenue, not written off the system.	Sect G, Part 13
05/22/09	7.1	Monthly credit balance report must be completed prior to month end close	Sect G, Part 15
05/22/09	7.1	Home office will run the Monthly Credit balance report by the 6th working day after month end close.	Sect G, Part 15
01/04/10	7.2	Exceptions must be kept in writing and approved by VP of Business Operations.	Sect B,D,E & F
01/04/10	7.2	Only one overpayment letter is sent to third party payors.	Sect G, Part 6
07/23/10	7.2	Ensure payment is refunded to party who made the payment	Sect G, Part 4
04/21/11	7.3	Worked Monthly Credit Balance Report must be completed and submitted by the last day of the month	Sect G, Part 15
04/25/13	7.4	Update to include electronic or on-line overpayment notification. In-writing request for notification other than OPL.	Sect D Item 9 Sect F, Part 2 Item 3, Sect G, Part 3, Item 7-9 Part 6, Item 4 Part 15 Item 2
03/08/16	7.5	Update to specify training on credit balance policy	Sect D Part 2
03/08/16	7.5	Specify review for policy compliance	Sect D Part 3

03/08/16	7.5	Added verbiage regarding appropriate noticiation and repayment of Medicare, Medicaid and replacements	Sect F Part 2, Item 1
03/08/16	7.5	Deleted exception example involving leads. Added verbiage regarding contractual payments over Billed Charges	Sect G Part 3, Item 3.a
03/08/16	7.5	Edited policy to refer to CMS "A & B Final Rule"	Sect G Part 3, Item 11
03/08/16	7.5	Deleted reference to refund letter to patient	Sect G ,Part 4, Item 3
03/08/16	7.5	Added reference to specific payer notification requirement	Sect G,Part 6, Item
08/17/16	8.0	Modifications to Intergrate Policy with Tenet	Sect E, Sect F, Part 2 Item 4, Sect G, Part 4, Item 5