

220.1 - Payment for Bad Debts

(Rev. 4, 10-01-01)

Bad debts are deductions from revenue and may be included in allowable costs only if:

- They are attributable to Medicare deductible and coinsurance amounts for which the Medicare enrollee is liable; and
- The cost-based HMO/CMP has made a reasonable, but unsuccessful, effort to collect these amounts based on Chapter 3 of the “Provider Reimbursement Manual” (Pub. 15), §300.

The amount included in allowable cost for bad debt expense is limited. If the beneficiary deductible and coinsurance amounts payable to the cost-based organization are made on a monthly premium or other periodic basis, the amount allowed as a bad debt may not exceed three times the monthly rate for the actuarial value of the deductible and coinsurance amounts. If the beneficiary deductible and coinsurance amounts payable to the organization are made on other than a monthly basis, the amount allowed as a bad debt may not exceed the amount equivalent to that indicated above.

Any bad debt related to a service furnished to a Medicare enrollee of the cost-based HMO/CMP, and claimed on a cost report submitted for payment by a provider or other facility paid on a cost basis, may not be claimed as a bad debt by the HMO/CMP.