

**Bureau of Managed Care**  
**Managed Care Organizations**  
**Policy / Procedures**

**General Contract Monitoring**

**MCO Responsibilities for Payment of Bad Debt**

MCOs should be aware that there is a distinction between how bad debt works for the Medicare-Medicaid Alignment Initiative (MMAI) and Managed Long Term Services and Supports (MLTSS) programs. Additionally, the HFS Provider Notice that can be found at the link below provides information about how the federal Centers for Medicare & Medicaid Services (CMS) Medicare bad debt policy works with MMAI and MLTSS:

<https://www.illinois.gov/hfs/MedicalProviders/notices/Pages/prn160701b.aspx>

**MMAI**

Federal CMS considers MMAI to be a Medicare Advantage product, so their Medicare capitation payment to MMAI plans includes bad debt. Per the CMS Medicare Medicaid Coordination Office (MMCO), how the MMAI plans choose to operationalize bad debt in their contracts with providers is between the MCOs and providers. For example, some MMAI plans include bad debt in their contracted rates with providers and other MMAI plans have established processes where providers request bad debt payments from the MMAI plans separately.

As noted in the CMS Q&A below, providers *cannot* bill Medicare (federal CMS) for bad debt payments for MMAI plan enrollees since CMS includes bad debt in its Medicare capitation payments to the MMAI plans. This is a federal CMS policy. The question and answer below is a quote from page 10 of the CMS document that can be found at this link:

<https://www.cms.gov/Medicare-Medicaid-Coordination/Medicare-and-Medicaid-Coordination/Medicare-Medicaid-Coordination-Office/FinancialAlignmentInitiative/Downloads/JointRateSettingProcess042517.pdf>

**“Will providers receive Medicare bad-debt payments for serving beneficiaries under the capitated model?”**

Provider payments associated with Medicare bad debt are included in the standardized FFS county rates and Medicare Advantage capitation rates used to determine the Medicare baseline estimates for the demonstration capitation rates. In some states, CMS further adjusts the Medicare baseline amounts to account for the disproportionate share of bad debt attributable to dual eligible beneficiaries in Medicare FFS, compared to all Medicare FFS beneficiaries. As a result, providers will not bill Medicare separately for bad debt under the demonstrations. This is consistent with current CMS policy under which Medicare does not pay facilities for bad debts associated with Medicare Advantage plan enrollees, as the plan payment constitutes payment in full; providers’ cost reports detailing bad debt can only include those debts from FFS enrollees.”

## **MLTSS**

MLTSS MCOs do not cover crossover claims. As a result, all crossover claims for Illinois' MLTSS enrollees should be sent to Medicaid FFS, not the MLTSS MCO. In cases where Medicare payments received by the provider exceed the Medicaid rate for the service, providers may be able to bill Medicare for bad debt payment after billing the state to receive a state remittance advice. Enrollment in an MLTSS MCO does not impact the Medicare bad debt policy, including the situations or amounts Medicare would pay.

**Policy History**  
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<b>Date</b>	<b>Action</b>	<b>Policy Originator</b>
April 2018	Clarification from CMS/MMCO SMEs	Laura Phelan

<b>Policy Revisions</b>	<b>Revision Approved</b>
[revision date]	[name of person who approved revision]