

# Health Headlines

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## SGR Fix Repeals Bad Debt Moratorium

The recent law delaying implementation of the Medicare sustainable growth rate—the so-called “doc fix”—contains important implications for Medicare bad debt reimbursement for hospitals. Not only does the law, the Middle Class Tax Relief and Job Creation Act of 2012 (H.R. 3630), reduce hospital bad debt payments to 65 percent beginning in FY 2013, it also repeals a decades-old policy on what constitutes the “reasonable collection efforts” hospitals must make in order to receive bad debt reimbursement in the first place. The House Ways and Means Committee estimates that these provisions, taken with reductions in bad debt reimbursement for other providers, will result in a savings of \$6.9 billion from 2012-2022.

Section 3201(d) of H.R. 3630 repeals the so-called bad debt moratorium, enacted in 1987, that prohibited the Secretary from changing her policy regarding what constitutes a reasonable collection effort. Under existing law, CMS has defined a reasonable collection effort for Medicare accounts as being “similar to the effort the provider puts forth to collect comparable amounts from non-Medicare patients.” Provider Reimbursement Manual (PRM), § 310; *see also* 42 C.F.R. § 413.89(e). At a minimum, such efforts must include submission of a bill to the patient, and subsequent “reasonable” collection letters. PRM § 310. Bad debts are presumed to be uncollectible after 120 days from the date the first bill is mailed to the beneficiary. *Id.* at § 310.2. Thus, so long as a hospital applied this baseline approach to Medicare and non-Medicare accounts alike, the hospital could claim the Medicare bad debts. For cost reporting periods beginning on or after October 1, 2012, however, CMS now may impose additional requirements on hospitals before hospitals may claim bad debt reimbursement. While CMS has not yet issued any instructions redefining what constitutes a “reasonable collection effort,” new requirements may include a longer time period before a hospital may declare an account uncollectible, or additional documentation of recovery efforts. The practical effect of these statutory changes is that not only has Congress reduced the amount of reimbursement hospitals may receive for Medicare bad debts, it also potentially increases the administrative hurdles hospitals must clear before claiming any bad debt reimbursement at all.

Reporter, *Christopher Kenny*, Washington, D.C., +1 202 626 9253, [ckenny@kslaw.com](mailto:ckenny@kslaw.com).

### Health Headlines – Editor:

**Dennis M. Barry**  
[dbarry@kslaw.com](mailto:dbarry@kslaw.com)  
+1 202 626 2959

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