

Optometry Coding & Billing Alert

Billing: Brush up on Overpayment Policies Now That CMS Has 5 Years to Request Refunds

Keeping overpayments can get you in hot water with patients, payers, and the law.

If you haven't dealt with payer overpayments yet, it's only a matter of time. In January, CMS extended the government's statute of limitations for collecting overpayments from your practice. While CMS previously had a three year limit on requesting refunds, it now has a full five years. Therefore, you should ensure that you have a firm policy in place for returning overpayments and be ready for such requests.

Overpayments happen for a variety of reasons. But if you don't know how to deal with them and the subsequent refund process you could be setting your practice up for fines and fraud allegations. Refunds don't need to be difficult, however. Read on to get the scoop on what you need to do and when you need to do it to stay compliant and keep payers happy.

Identify the Overpayment

Your office should have a protocol for repaying overpayments. At the very least, when you run your end-of-the-month reports, you should include a credit balance report and have a process to refund any overpayments by any health plan, regardless of the amount.

When you identify an overpayment by a payer, your first step should be to review the details of the claim and the overpayment. Make sure you do, in fact, need to process a refund.

Before refunding any money, make sure the balance isn't a payment-posting mistake. If the overpayment is legitimate, determine what occurred and develop a process to avoid the same mistake in the future.

Tip: If a payer comes to you and requests a refund, stating that it overpaid, you should still do your own research. Do not just assume the payer is correct. You need to investigate the reason for the refund and determine if the request is timely and a valid reason exists to warrant a refund.

Contact the Payer Before Sending a Check

Refunding of overpayments is addressed in both the Office of Inspector General's (OIG's) compliance guidance for physicians and its guidance for third-party billing companies. As a healthcare provider, you have a legal obligation to repay discovered overpayments.

Once you've identified that you have a legitimate overpayment and need to send a refund, you need to communicate with your payer. Before you send the refund to the insurer, contact the company to learn its policies about such credit balances.

Why: Carriers differ in how they handle refunds. Most Medicare contractors have a refund form for all refunds, which you need to use for anything you identify as overpayment. It is important you don't delay sending the overpayment back to the Medicare contractor, since it is a government payer.

Many experts recommend that even if you disagree with a Medicare refund request, you should pay the money back right away, and appeal the decision. Medicare will charge interest on the overpayment, and then take it from a future payment. In addition, new regulations state that if you owe Medicare a refund, any new practitioners in your practice who apply for Medicare enrollment will be denied until you pay the money back (see the Insider, v. 14 n 22, for more information).

Private payers may have their own rules, so check with your individual payer. For example, most practices don't immediately send checks to payers other than Medicare. Instead, you should contact the payer and set up a claims adjustment. This is helpful because if you send a check for the overpayment, many private payers will still recoup the money from your next check, which means they then owe you money back again, and you have to wait for the payment.

Plus: The private payer may also fail to process the refund check properly, or not deposit the refund check at all since they did not ask for it ☐ or the refund may end up in a "black hole."

Use Letters to State Your Case

Don't send refunds to payers until you have specific information on where to send the money. Otherwise, the payer may not identify your check as a refund and may properly associate the payment with your practice's account. Internally, you should write off the credit balance in the patient's chart and keep a dummy ledger for each payer in which you track overpayment refunds, with the patient's name, account number, and date of service which the refund is associated with. This way you have a record of the transactions without having to store the information in the patient file, which may offset patient balances.

Send a letter to your payer explaining that you identified an overpayment and want to send a refund check. Ask where to send the check, what information to include with the payment, and how the payment will get processed.

Additionally: When you send the insurer a refund check, make sure you include a letter explaining the purpose of the payment with copies of the applicable EOBs. Address the letter to a specific person who handles repayment, and send it certified return receipt mail. This documents that you found an overpayment and refunded it.

Attach your check to the refund request or attach a notice on your practice letterhead. In the letter, you should reference the patient name, the insured's name (if different from patient), the date of service, the insured's ID number, and the amount you are refunding.