

Optometry Coding & Billing Alert

READER QUESTIONS: Handle Insurer Overpayments in 3 Steps

Question: How should I handle overpayments by insurers? How fast do I have to repay? If the amount overpaid is small, do I still have to refund it?

Montana Subscriber

Answer: Given the complexity of Medicare regulations and the large number of claims a provider submits, overpayments are probably inevitable.

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

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

A variety of laws obligate healthcare providers to return overpayments to the payer, including laws not necessarily drafted with the healthcare industry in mind. Social Security law details criminal penalties for acts involving Medicare or state healthcare programs (42 USC 1320a-7b), and it applies to providers billing Medicare or a state health program, such as Medicaid.

Although this law does not specifically state that a provider has an obligation to refund overpayments, it does prohibit concealing or failing to disclose submission of claims for reimbursement that were not owed to the provider -with an intent fraudulently to secure such benefit or payment either in a greater amount or quantity than is due.-

First step: 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 it.

Next: Before making the refund to the insurer, contact the company to learn its policies about such credit balances. Carriers differ in how they handle refunds. Most Medicare carriers have a refund form for all refunds, which you need to use for anything you identify as overpayment. Private payers may have their own rules, so check with your individual carriers.

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

Smart tip: Don't send refunds to payers until you have specific information on where to send the money. Otherwise, your check may not be identified as a refund and be properly associated 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. This way you have a record of the transactions without having to store the information in the patient file.

Remember: If the insurer doesn't ask for the overpayment refund, even after a period of time, that doesn't mean you

get to keep the money. Check your state laws on what you'll need to do in this situation.