

Part B Insider (Multispecialty) Coding Alert

READER QUESTION: Understand Your Obligations for Overpayments

Can insurers deduct overpayments from your checks? Find out here.

Question: Some insurers are deducting overpayments from our checks for visits or services rendered. Are payers allowed to do this, and do we really have to pay back overpayments?

Answer: As a healthcare provider, you're legally obligated to repay overpayments when you or the payer discovers the mistake. Due to the large number of claims a provider submits each month and the complex nature of payer regulations, overpayments are bound to happen. Your office should have a system for repaying overpayments, or at least include a credit balance report with end-of-month reports. Take the following steps when setting up an internal auditing system:

Step 1: First, be sure the overpayment amount isn't a payment posting mistake before you refund any money. If it's a legitimate overpayment, determine how it happened and how to avoid it in the future.

Step 2: Contact the insurer to confirm you understand its policies toward credit balances. Payers handle refunds in different ways. For example, most Medicare carriers have a refund form for all refunds. Private payers may have their own unique rules.

Step 3: For private payers, write them a letter, telling them that you have identified an overpayment and you wish to confirm all the contact information you'll need, including where to send the money, and to whom you should address it.

You are requesting a "demand letter" for the refund from the payer. When you send the refund check, explain clearly in writing the purpose of the payment and include the demand letter. You want to ensure that the money you're sending will be properly identified as an overpayment. Also, send it as certified mail.

Step 4: For internal records, write off the credit balance in the patient's chart, and keep a dummy ledger for each payer to track overpayment until you are able to send in the refund when you receive the demand letter.

Write off the refund from the dummy ledger for the payer when the money has been refunded to the payer. The OIG addresses the issue in its compliance guidelines for both physicians and third-party billing companies. There are various laws, which require healthcare providers to return overpayments. Social Security law details penalties involving Medicare or state programs (42 USC 1320a-7b). Always check your state's laws for full details on overpayment regulations in your area.