SCOPES: Uncollectible deductible and coinsurance amounts associated with Medicare covered Nursing Facility ("NF") services for Capitated Financial Alignment Demonstration ("CFAD") membership.

PURPOSE: The purpose of this policy is to set forth the process for Buckeye Community Health Plan ("BCHP") to pass through a predetermined amount of funding for allowable bad debt to NFs specific to uncollectable Medicare coinsurance and deductibles as a result of Medicare covered services provided to BCHP CFAD membership.

BACKGROUND: CMS’ Provider Reimbursement Manual (“Manual”) for Medicare states that “…bad debts attributable to the deductibles and coinsurance amounts are reimbursable under the Program…” The Manual further states that “…The debt must be related to covered services…”. More specifically related to Dual Eligible membership with coverage under both Medicare and Medicaid, the Manual states that “…any portion of the deductible or coinsurance that the State does not pay that remains unpaid by the patient, can be included as bad debt under Medicare…”. This is applicable to facility claims and not professional components or physician charges. According to the Manual, “…considering physician reimbursement as a provider cost in determining allowable bad debt would not be in conformance with the law.”

In a final rule issued November 9, 2012, CMS implemented reductions to Medicare’s bad debt reimbursement percentages as prescribed by Sections 3201(a) and (b) of the Middle Class Tax Extension and Job Creation Act of 2012. Prior to the reductions, Medicare reimbursed NFs 100% of the allowable bad debt amounts associated with unpaid Medicare deductibles or coinsurance for dual eligible beneficiaries. Beginning October 1, 2012, this amount was reduced to 88%. The amount was subsequently reduced effective October 1, 2013 to 76%, and will settle at its final level of 65% beginning October 1, 2014.

Bad debt is included in the base Medicare rates for the CFAD in the same way it is in Medicare Advantage today, plus an additional amount specific to the demonstration. While the data used are from prior years, CMS actuaries make adjustments based on current law, so are projections of costs for the current year. The bad debt amount is expressed as a percentage of the Medicare A/B amounts.

The underlying amount of provider payments associated with Medicare bad debt included in the standardized MA FFS county rates is approximately 1% of the Medicare A/B county FFS rate. As rates are risk adjusted (and increase, as will be the case for Medicare-Medicaid enrollees), the bad debt load is risk adjusted along with the rest of the FFS cost.

For the demo, CMS added another 1.89% in 2014 to reflect the disproportionate share of bad debt attributable to Medicare-Medicaid enrollees in FFS. That percentage may be adjusted in future years.

NOTE: The 1% and 1.89% in 2014 represent the total amount of the Medicare rate for all CFAD members dedicated to all reimbursable bad debt, including Inpatient, NF, and Part B.

POLICY:

NF Bad Debt Fund

The Bad Debt Fund is initially to be 0.59% of the net monthly CMS premium applicable to Medicare Part A and Part B covered services. This amount is based upon CMS representation that 2.89% of premium is applicable to bad debt and an actuarial analysis that determined 20.3% of this amount was attributable to NFs. Any retroactive adjustments in the CMS Premium shall be credited to or deducted from the Bad Debt Fund, including but not limited to any retroactive changes to the CMS Premium, any Risk Adjusted Processing System ("RAPS") or Risk Adjustment Data Validation Audit ("RADV") recovery, or any working aged plan level adjustments. Further, this funding amount is entirely dependent upon CMS continuing to include it in BCHP’s premium. Any change to this amount will be similarly modified in this Bad Debt Fund.
**Allowable Bad Debt**

BCHP will annually calculate the total amount of Medicare allowable Bad Debt for the previous calendar year attributable to each contracted NF for the CFAD program in April. This calculation will be made for each individual participating NF as follows for claims received for the calendar year by March 31:

a) Sum the BCHP allowed payment amount under Medicare benefits for all claims for covered services with admission dates incurred in the applicable calendar year;

b) Sum the total Medicare copayments, coinsurance, and deductibles for the claims identified in (a) above;

c) Sum the total BCHP payment amount under Medicaid benefits for Medicare copayments, coinsurance, and deductibles for the claims identified in (a) above;

d) Calculate the total of Medicare copayments, coinsurance, and deductibles NOT reimbursed by BCHP under either Medicare or Medicaid benefits ((a) – (b) – (c) = Bad Debt);

e) Multiply the Bad Debt ((d) above) by:
   - 76% for claims with admission dates from October 1, 2013, through September 30, 2014
   - 65% for claims with admission dates beginning October 1, 2014 (until and unless subsequently modified by CMS)

to arrive at the Allowable Bad Debt amount for each NF.

**Allocation of Bad Debt Fund**

Each participating NF will then be allocated their pro rata portion of the Bad Debt Fund as follows:

a) Sum the Allowable Bad Debt amount for each NF to arrive at the Aggregate Allowable Bad Debt;

b) If the Aggregate Allowable Bad Debt amount is less than the Bad Debt Fund, each NF will receive their Allowable Bad Debt amount as settlement of Bad Debt;

c) If the Aggregate Allowable Bad Debt amount is more than the Bad Debt Fund
   
   a. Calculate the percent that each NF’s Allowable Bad Debt represents of the Aggregate Allowable Bad Debt;
   
   b. Multiply each NF’s percent of the Aggregate Allowable Bad Debt by the Bad Debt Fund amount to determine their final amount as settlement of Bad Debt.

**Example for Illustrative Purposes Only**

Bad Debt Fund = $2,000,000

<table>
<thead>
<tr>
<th>Facility</th>
<th>Medicare Allowed Amount</th>
<th>Medicare Paid Amount</th>
<th>Medicare Coinsurance and Deductibles</th>
<th>Medicaid Paid Amount</th>
<th>Total Bad Debt</th>
<th>Allowable Bad Debt (76%)</th>
<th>% of Aggregate Allowable Bad Debt</th>
<th>Bad Debt Settlement Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>NF A</td>
<td>$911,250</td>
<td>$763,250</td>
<td>$148,000</td>
<td>$35,250</td>
<td>$112,750</td>
<td>$85,690</td>
<td>4.0%</td>
<td>$80,668</td>
</tr>
<tr>
<td>NF B</td>
<td>$495,000</td>
<td>$414,600</td>
<td>$80,400</td>
<td>$19,150</td>
<td>$61,250</td>
<td>$46,550</td>
<td>2.2%</td>
<td>$43,822</td>
</tr>
<tr>
<td>NF C</td>
<td>$171,000</td>
<td>$143,230</td>
<td>$27,770</td>
<td>$6,610</td>
<td>$21,160</td>
<td>$16,082</td>
<td>0.8%</td>
<td>$15,139</td>
</tr>
<tr>
<td>NF D</td>
<td>$72,000</td>
<td>$60,310</td>
<td>$11,690</td>
<td>$2,790</td>
<td>$8,900</td>
<td>$6,764</td>
<td>0.3%</td>
<td>$6,368</td>
</tr>
<tr>
<td>NF E</td>
<td>$345,450</td>
<td>$286,831</td>
<td>$58,619</td>
<td>$13,247</td>
<td>$45,372</td>
<td>$34,483</td>
<td>1.6%</td>
<td>$32,462</td>
</tr>
<tr>
<td>NF F</td>
<td>$268,875</td>
<td>$225,206</td>
<td>$43,669</td>
<td>$10,401</td>
<td>$33,268</td>
<td>$25,284</td>
<td>1.2%</td>
<td>$23,802</td>
</tr>
<tr>
<td>All Other</td>
<td>$4,977,225</td>
<td>$2,355,710</td>
<td>$2,621,515</td>
<td>$108,796</td>
<td>$2,512,719</td>
<td>$1,909,666</td>
<td>89.9%</td>
<td>$1,797,740</td>
</tr>
<tr>
<td>Total</td>
<td>$7,240,800</td>
<td>$4,249,137</td>
<td>$2,991,663</td>
<td>$196,244</td>
<td>$2,795,419</td>
<td>$2,124,518</td>
<td>100.0%</td>
<td>$2,000,000</td>
</tr>
</tbody>
</table>

**Timing of Distribution**

Calculations will be performed by BCHP in April of each year for claims received by March 31 for the prior calendar year. Final settlement checks will be distributed with supporting documentation by BCHP in May for the calculations performed in the preceding April. All settlements are considered final and will not be adjusted as a result of claims received after March 31.