# MEDICAL ASSISTANCE BULLETIN

### COMMONWEALTH OF PENNSYLVANIA ● DEPARTMENT OF PUBLIC WELFARE

| ISSUE DATE | EFFECTIVE DATE | NUMBER |
|---|---|---|
| April 20, 2006 | April 1, 2006 | 99-06-04 |

| SUBJECT | BY |
|---|---|
| Prudent Payment of Claims | James L. Hardy, Deputy Secretary<br>Office of Medical Assistance Programs |

**PLEASE NOTE: This Bulletin obsoletes Medical Assistance Bulletin Number 99-06-03, "Prudent Payment of Claims", issued March 1, 2006. There was an error on the chart on page 2 describing examples of how prudent payment will affect the payment of claims. This chart has been revised.**

## PURPOSE:

The purpose of this bulletin is to notify providers that the Department of Public Welfare (Department) will implement Prudent Payment for the provider types and provider specialty codes listed on the attached Prudent Payment chart.

## SCOPE:

This Medical Assistance (MA) bulletin applies to all providers enrolled in the MA Program that render services to MA recipients in the Fee-for-Service delivery system.

## BACKGROUND:

Federal regulation at 42 CFR Part 447 – Payment for services § 447.45(d) (relating to timely processing of claims) sets forth that the Department will pay 90 percent of clean claims (a claim that can be processed without obtaining additional information from the provider of the service or a third party) within 30 days of the date of receipt. The practice of paying clean claims within 30 days of receipt, but not sooner, by holding the claim in processing is called "Prudent Payment" and is consistent with general business standards.

In accordance with Federal regulations, general business standards and prudent management of the taxpayer's money, the Department will 'hold' clean claims up to 21 days from receipt before processing the claims through the weekly Financial Cycle. The remaining 9 days will be used to produce a Remittance Advice, to clear the claim for payment and to have the payment mailed or paid via ACH (Automated Clearinghouse).

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**COMMENTS AND QUESTIONS REGARDING THIS BULLETIN SHOULD BE DIRECTED TO:**

The appropriate toll-free number for your provider type

Visit the Office of Medical Assistance Programs website at www.dpw.state.pa.us/omap

Effective April 1, 2006, with few exceptions as noted on the attached Prudent Payment chart, the Department will implement Prudent Payment for all providers enrolled in the MA Program who are not already subject to Prudent Payment.

**PROCEDURE:**

Claims will be processed through the claims processing edits and audits as they are currently. The Prudent Payment process of holding the claims will occur after the claims have been processed and are ready for the Financial cycle. Only paid claims are subject to prudent pay provisions. Denied claims are exempt.

The Prudent Payment process will be implemented in three monthly increments for the provider types and provider specialty codes identified on the attached Prudent Payment chart, beginning April 1, 2006. The initial monthly increment will hold clean claims for seven days before processing the claim through the Financial cycle. The second increment, which will be effective the second month after implementation, will hold clean claims for 14 days before processing through the Financial cycle. The third increment, which will be effective the third month after implementation, will hold clean claims for 21 days before processing through the Financial cycle. The Department will implement Prudent Payment in a manner that assures compliance with Federal regulation 42 CFR Part 447-Payment for services § 447.45(d). NOTE: Providers should continue to submit their claims in their normal manner.

An example of how prudent pay will affect the payment of claims:

|  | CLAIM RECEIVED | FINANCIAL | RA DATE |
|---|---|---|---|
| Current process | 4/3/2006 | 4/8/2006 | 4/10/2006 |
| 1st step – 7 days | 4/3/2006 | 4/15/2006 | 4/17/2006 |
| 2nd step – 14 days | 5/1/2006 | 5/20/2006 | 5/22/2006 |
| 3rd step – 21 days | 6/5/2006 | 7/1/2006 | 7/3/2006 |
| Thereafter | 7/17/2006 | 8/12/2006 | 8/14/2006 |

Billing instructions to submit a new claim if a submitted claim does not appear on a Remittance Advice within 45 days remain in effect.