

Understanding and Balancing Your Medicare Part A Remittance Advice (RA)

Remittance Advice Overview



- A remittance advice (RA) is a notice of payments and/or adjustments sent to a provider, billing service, or clearinghouse.
- After a claim has been received and is processed, Novitas Solutions produces the RA, which may be sent via standard paper remittance (SPR) or electronic remittance advice (ERA).
- The RA explains the reimbursement decisions, including the reasons for payments and adjustments of processed claims.

Presentation Overview



- Common Institutional RA codes
 - Claim Adjustment Reason Codes (CARCs)
 - Remittance Advice Remark Codes (RARCs)
- The Fundamentals of the Provider Level Adjustment Reason Codes
- RA Balancing Overview

Claim Adjustment Reason Codes (CARCs)



Claim adjustment reason codes may be on the remittance advice to explain an adjustment. These codes are required when a claim or service line was paid differently than it was billed. If there are no adjustments on the claim/line, then there will be no adjustment reason code.

Claim Adjustment Reason Codes (CARCs)



Below are just a few of the adjustment codes you may see on a RA:

Reason Code	Financial Information
1	Deductible amount
2	Coinsurance amount
3	Co-payment amount
4	The procedure code is inconsistent with the modifier used or a required modifier is missing
5	The procedure code/bill type is inconsistent with the place of service (POS)
40	Charges do not meet qualifications for emergent/urgent care
96	Non-covered charge(s)

Additional CARC codes and their descriptions can be found on the WPC website.

- <https://nex12.org>

Remittance Advice Remark Codes (RARCs)



RARCs are used to further explain adjustments already described by the CARCs. There are two types of RARCs, supplemental and informational.

- Supplemental RARCs provide additional explanation for an adjustment already described by a CARC.
- Informational RARCs are often referred to as Alerts and are never related to a specific adjustment or CARC.

Remittance Advice Remark Codes (RARCs)



Below are just a few of the adjustment codes you may see on a RA:

Reason Code	Financial Information
M1	X-ray not taken within the past 12 months or near enough to the start of treatment.
M2	Not paid separately when the patient is an inpatient.
M3	Equipment is the same or similar to equipment already being used.
M4	Alert: This is the last monthly installment payment for this durable medical equipment.
M125	Missing/incomplete/invalid information on the period of time for which the service/supply/equipment will be needed.

Additional RARC codes and their descriptions can be found on the WPC website.

- <https://nex12.org>

The Fundamentals of Provider Level Adjustment (PLB) Reason Codes

Provider Level Adjustment



Provider-Level Adjustment (PLB) reason codes describe adjustments the Medicare Contractor makes at the provider level, instead of a specific claim or service line. Some examples of provider-level adjustments include:

- An increase in payment for interest due as a result of late payment of a claim by Medicare
- A deduction from payment as a result of prior overpayment
- An increase in payment for any provider incentive plan
- Forwarding Balances for **FUTURE** Overpayment Recovery
- Refund Acknowledgements
- Pass Through And Settlement Payments

PLB Basics



- Provider-level adjustments can **increase or decrease** the transaction payment amount.
- Adjustment codes can be located in the following data segments:
 - PLB03-1
 - PLB05-1
 - PLB07-1
 - PLB09-1
 - PLB11-1
 - PLB13-1
- The PLB segment is not always associated with a specific claim in the 835 (Health Care Claim Payment/Advice), but must be used to balance the transaction.

PLB Basics Continued



- Use the Reference ID to identify the claim. The below adjustment codes can be exceptions.
 - FB - Forwarding Balance
 - IR - Internal Revenue Service Withholding
 - J1 - Nonreimbursable
 - L6 - Penalty
 - CS – Adjustment
- Use the dollar amount in the PLB segment to balance the 835 transaction.

Most Common 835 Adjustment Codes



- Forward Balance (FB)
- Overpayment Recovery (WO)
- Authorized Return (72)
- Internal Revenue Service Withholding (IR)
- Non-Reimbursable (J1)
- Interest Owed (L6)
- Adjustment (CS)

Note: On a paper remittance, these codes will display as Financial Adjustments

Example:

FINANCIAL ADJUSTMENTS					
FB/BF:	573420.50	FB/CO:	-573420.50	L6/IN:	-23.66

Forward Balance (FB)



Adjustment Code	Reference ID
<p>Forward Balance (FB)</p> <ul style="list-style-type: none">Used to reflect a balance being moved forward to a future remit or a balance that is brought forward from a prior RA	<ul style="list-style-type: none">When a balance is moving forward to a future RA, the PLB FB contains the same number as the trace number used in TRN02 of the current transactionWhen a balance has been brought forward from a prior remit, the PLB FB contains the same reference number from the PLB segment of the previous 835

Forward Balance (FB) Continued



In the below example, there is a forwarding balance of -430.79 that will be applied to a future payment. Since the monetary amount located in the PLB04 is a negative amount, the future RA will be increased by this amount. If the PLB04 was positive amount, it would decrease the current RA amount.

Example:

PLB*123456789*20151231*FB:XXXXXXXXXX*-430.79

- PLB01: NPI
- PLB02: Fiscal Period Date
- PLB03 -1: Forward Balance
- PLB03-2: Original Claim Reference ID or Trace Number
- PLB04: Monetary Amount

Posting Tips:

- A negative value represents a balance moving forward to a future payment.
- A positive value represents a balance being applied from a previous advice.
- The PLB FB is used to move a negative balance from a current 835 transaction into a future 835 transaction (Typically, this happens when Novitas Solutions reports an overpayment and there are not sufficient funds to recoup the entire overpayment amount.)

Overpayment Recovery (WO)



Adjustment Code	Reference ID
<p>Overpayment Recovery (WO)</p> <ul style="list-style-type: none">• Used when a previous overpayment is recouped from the provider of service.• Used when a reversal and corrected claim are not reported in the same transaction. WO prevents the prior claim payment from being deducted from the transaction.• Used to offset the PLB 72.• Used when a reversal and corrected claim are reported and the overpayment is not immediately recouped. WO prevents the prior claim payment from being deducted from the transaction.	<ul style="list-style-type: none">• The Reference ID for the PLB WO contains the original claim reference ID and the patient Medicare number• When reporting a voided check, the Reference ID in the PLB WO is the voided check number.

Overpayment Recovery (WO) – Continued



The below example indicates that funds have been withheld from the providers payment for that RA. The claim reference ID is reported in the PLB03-2 and the amount deducted from the check amount is reported in PLB04

Example:

PLB*1234567890*20151231*WO:XXXXXXXXXXXXXXXXXABC 123456789A*115.73

- PLB01: NPI
- PLB02: Fiscal Period Date
- PLB03 -1: Overpayment Recovery
- PLB03-2: Claim Reference ID and Patient Medicare Number
- PLB04: Monetary Amount

Posting Tips:

- **Provider refund check reporting** — When Novitas Solutions receives a provider's refund check, the amount of the check is reported as a positive value in the PLB WO and a negative value in the PLB 72.
- **Voided checks** — When a check is voided, the amount of the check is reported as a positive value in the PLB WO and a negative value in the PLB 72. The Reference ID in the PLB WO will contain the voided check number.

Overpayment Recovery (WO) – Continued



Posting Tips Continued:

- **Overpayment Reduction** — When a claim overpayment is identified, Novitas Solutions reports a reversal to the original claim and a corrected claim if there are sufficient funds from other claim payments to recover the amount of the overpayment. If sufficient funds are not available, after 60 days Novitas Solutions handles the overpayment by sending a demand letter to demand payment for the balance of the overpayment.
- **Overpayment Recovery Reduction** — Used when a previous overpayment is recouped from the provider of service. **Novitas Solutions sends a letter requesting a refund. If the refund is not received within the requested timeframe, Novitas Solutions recoups the money.** The overpayment reduction is reported as a positive value in the PLB WO.

Authorized Return (72)



Adjustment Code	Reference ID
<ul style="list-style-type: none">• Used to report the dollar amount returned by the provider of service for a previous overpayment.• Used to report a voided check.	<ul style="list-style-type: none">• The Reference ID in the PLB 72 contains the beginning date of service from the claim and the patient account number.• When reporting a voided check, the Reference ID in the PLB 72 is the voided check number.

Authorized Return (72) - Continued



In the example below, a refund is shown in the PLB segment with a negative value. To offset this amount, a PLB segment with a WO qualifier is then created so that the RA will balance.

Example:

PLB*1234567890*20151231*72:XXXXXXXXXX*-225.98

- PLB01: NPI
- PLB02: Fiscal Period Date
- PLB03 -1: Authorized Return
- PLB03-2: Voided EFT Trace Number
- PLB04: Monetary Amount

Posting Tips:

- When Novitas Solutions receives a refund, Novitas Solutions notes the refund amount as a negative value in the PLB segment with the 72 Adjustment Reason Code.
- When a provider returns a Novitas Solutions check, the voided check amount is noted as a negative value in the PLB 72. The Reference ID in the PLB 72 will contain the voided check number.
- A PLB WO with the amount of the refund or voided check is reported as a positive value to offset the PLB 72 and balances the 835 transaction.

Authorized Return (72) – Continued



For Solicited Refunds:

- The reversal and corrected claim were reported in a prior 835 and included a PLB WO so that overpayment funds weren't recouped.
- Once the refund is received by Novitas Solutions, the refund amount is noted as a negative value in the PLB segment with the 72 Adjustment Reason Code.
- A PLB WO with the amount of the refund is then created to offset the PLB 72 and balance the 835 transaction. The PLB WO will contain a positive value.

For Unsolicited Refunds:

- When a refund is posted, the RA will show a reversal of payment and a corrected claim so that the reversal and PLB 72 will be in the same 835 file.
- If the refund does not cover the entire overpayment amount, the 835 will also contain a PLB WO for the amount remaining to be refunded. The PLB WO will contain a negative value.

Internal Revenue Service Withholding (IR)



Adjustment Code	Reference ID
<p>Internal Revenue Service Withholding (IR)</p> <ul style="list-style-type: none">• Used for IRS tax withholding.	<p>The Reference ID in the PLB IR contains the comment "IRS Withhold for TIN XXXXXXXXXX"</p>

Internal Revenue Service Withholding (IR) - Continued



In the example below, a payment of \$100.98 was sent to the Internal Revenue Service. The total dollar amount associated with the RA payment will show this deduction. For more information on posting to your patient accounts, please review the posting tips below.

Example:

PLB*1234567890*20151231*IR:IRS WITHHOLD FOR TIN XXXXXXXXXX*100.98

- PLB01: NPI
- PLB02: Fiscal Period Date
- PLB03 -1: Internal Revenue Service Withholding
- PLB03-2: Reference ID (TIN)
- PLB04: Monetary Amount

Posting Tips:

- The payment amount sent to the IRS is reported in the PLB segment with an IR Adjustment Reason Code and a positive dollar amount.
- The claim payment amount(s) may be posted to your patient accounts, but note that you **will not physically receive funds for the payment amounts.**

Non-Reimbursable (J1)



Adjustment Code	Reference ID
<p>Non-Reimbursable (J1)</p> <ul style="list-style-type: none">Used when the service provider is also the employer group and they request that monies be applied toward the Group Medical Plan coverage premium instead of the claim	<ul style="list-style-type: none">The Reference ID in the PLB J1 contains the comment "Suppressed Payment Arrangement"

Non-Reimbursable (J1) - Continued



In the example below, there is an amount of \$11578.94 that will not be paid to the provider for the patient or reference ID located in the PLB03-2 position because of a demonstration program or other limitation that prevents payment. The patient account number associated to this payment is located in the PLB03-2.

Example:

PLB*1234567890*20150829*J1:SUPPRESSED PAYMENT ARRANGEMENT XXXXXXXXXXABC*11578.94

- PLB01: NPI
- PLB02: Period Date
- PLB03 -1: Suppressed Payment
- PLB03-2: Reference ID and Patient Account Number
- PLB04: Monetary Amount

Posting Tips:

- Amounts to your patient accounts, but note that you **will not physically receive funds for the claim payments.**
- The dollar amount of the suppressed payment for the PLB J1 will be a positive value.

Interest Owed (L6)



Adjustment Code	Reference ID
Interest Owed (L6) <ul style="list-style-type: none">Used to report interest paid on claim	<ul style="list-style-type: none">No Reference ID is included with the PLB L6. The amount reported is a sum of the AMT*1 segments.

Interest Owed (L6) - Continued



In the example below, the amount located in PLB04 is interest paid and is associated to a claim that is in the 835 transaction.

Example:

PLB*1234567890*20151231*L6*-10.33

- PLB01: NPI
- PLB02: Fiscal Period Date
- PLB03 -1: Suppressed Payment
- PLB04: Monetary Amount

Posting Tips:

- The amount of interest paid is reported in the PLB L6 as a negative amount and adds to the check total.
- To associate interest amounts with corresponding claims, use the AMT*1 segments at the claim level.
- The claim will contain an AMT segment in loop 2100 with an "I" (Interest) Amount Qualifier Code in the AMT01 and the interest amount in the AMT02.

Adjustment (CS)



Adjustment Code	Reference ID
<p>Adjustment (CS)</p> <ul style="list-style-type: none">• Used to report the reissued payment amount for a lost check, or to• Reduce a PLB FB balance if Novitas Solutions writes off an amount a provider owes.	<ul style="list-style-type: none">• When reporting repayment for a lost check, the Reference ID contains the check number of the lost check.

Adjustment (CS) - Continued



The example below shows that in the case of a lost check, an adjustment would be present on a RA and it would display the EFT number or check number in PLB03-2. The negative balance in the PLB04 indicates a payment to the provider.

Example:

PLB*1234567890*20151231*CS:XXXXXXXXXX*-722.48

- PLB01: NPI
- PLB02: Fiscal Period Date
- PLB03 -1: Adjustment
- PLB03-2: EFT Trace Number of Lost Check

Posting Tips:

- The amount of the lost check is reported in the PLB CS as a negative value.
- The claim associated with the lost check will **NOT** be reported in an 835 transaction again. Only the payment will be reissued.

RA Balancing Overview



- For Medicare, the principles of remittance balancing are the same for both paper and electronic remittances. Balancing requires that the total paid amount is equal to the total submitted charges plus or minus payment adjustments for a single remittance.
- Remittances must balance at the service, claim, and provider levels
- An Adjustment reason code of 90 (Early Payment Allowance) may be used at the line, claim, and provider level to make sure that the remittance advice is balanced.

Additional information on balancing:

- Medicare Claims Processing Manual
 - <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/clm104c22.pdf>
- 835 Implementation Guide
 - <http://store.x12.org/store/healthcare-5010-consolidated-guides>

Remittance Advice References



- Novitas Solutions – Electronic Remittance Advice
 - JH
 - <http://www.novitas-solutions.com/webcenter/portal/MedicareJH/pagebyid?contentId=00025064>
 - JL
 - <http://www.novitas-solutions.com/webcenter/portal/MedicareJL/pagebyid?contentId=00004585>
- CMS
 - Medicare Claims Processing Manual
 - <https://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/downloads/clm104c22.pdf>
- Washington Publishing Company (WPC)
 - <https://nex12.org>

Glossary of Terms



835: Electronic Remittance Advice

CARC: Claim Adjustment Reason Codes

ERA: Electronic Remittance Advice

PLB: Provider Level Adjustment

RA: Remittance Advice

RARC: Remittance Advice Reason Codes

SPR: Standard Paper Remittance

TIN: Tax ID Number

Contact Information



For questions, please contact EDI Services

- JH
 - 1-855-252-8782 option 3
 - Monday – Friday 8:00 AM – 4:00 PM CT and MT
- JL
 - 1-877-235-8073 option 3
 - Monday – Friday 8:00 AM – 4:00 PM EST