



Section: Third Party Liability

## **6.8 Hospital Retroactive Settlements**

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When a hospital has a preferred provider organization (PPO) contract with an insurance company and payments are subject to retroactive adjustments, the amount to be reported as third party liability on the claim form must be as follows:

1. If the third party payor pays a final amount (i.e., per diem or per discharge amount), which is not subject to change, then the third party payment should be reported as the third party liability amount.
2. If the third party payor pays an interim payment, which may be adjusted or settled later based on contractual agreements with the provider, the maximum third party reimbursement (i.e., contractual benefit) should be reported as the third party liability amount.
  - a. If future settlements with other third party payors result in the provider refunding amounts to the third party payor, DOM makes no additional payment because of such refunds.
  - b. If future settlements with third party payors result in the third party payor making an additional payment to the provider, the following should be adhered to:
    - Third party liability amounts have been reported as benefits as required in item 2 above, therefore no amounts are due DOM.
    - Third party liability amounts have been reported at less than the maximum amount payable by the third party payor, the provider will be liable for the overpayment by DOM, plus interest and penalty.