

## Administrative Policy No. 10.02

**Subject:** Overpayments and Debts for Providers and Vendors

**Information Contact:** Chief, Office of Financial Recovery  
MS: 45862  
Phone: (360) 664-5700

**Authorizing Source:** [RCW 43.20B.675](#) and [RCW 43.20B.695](#)

**Resource:** [Administrative Policy 19.85.53](#)

**Effective Date:** December 31, 1987

**Revised:** May 19, 2020

**Approved By:** **Original signed by Lori Melchiori**  
Senior Director, Office of Policy and Rules

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### Purpose

This policy:

1. Establishes a uniform methodology for identifying, notifying, referring to the office of financial recovery (OFR) and collection processing of all overpayments and debts from providers and vendors.
2. Gives providers and vendors a uniform, formal hearing process.
3. Helps ensure the separation of duties between:
  - a. Administrations that identify overpayments and debts; and
  - b. OFR's responsibility to collect overpayments and debts.

### Scope

This policy applies to all:

1. Department administrations and divisions.
2. Provider and vendor overpayments and debts, regardless of whether these were:
  - a. Covered under a department contract; or
  - b. Identified via an audit, investigation, cost settlement, or other means.

This policy does not cover interagency agreement disputes in [Chapter 39.34 RCW](#).

This policy exempts:

- Managed care organizations reimbursements related to the billing and receipt of inpatient claims and hospital reimbursement.
- Language access providers, pursuant to the collective bargaining agreement between the state of Washington and Washington Federation of State Employees, AFSCME council 28, for language access providers.

### Definitions

**Court-ordered restitution:** A debt to the department as determined by a court of law.

**Fine:** A financial penalty that is assessed by the department or the federal government, and is to be collected by the department. As used in this policy “fines” may also include various “fees.”

**Overpayments and debts:** Any department payment or benefit to a vendor or provider in excess of the amount the provider or vendor was entitled to by law, rule, or contract.

**Partner Agencies:** Organizations such as former department entities the Department of Children, Youth, and Families and the Health Care Authority who sign agreements to allow OFR to collect certain overpayments or debts.

**Provider or vendor:** An individual, business, or other entity that obtained, delivered, or otherwise managed a service or product.

**Recoupment:** Money that is withheld from payments to a vendor or provider in the amount of an established overpayment, or debt, plus any interest. Recoupment is also referred to as an “offset.”

### Policy

- A. Court-ordered restitution and fines are treated as any other overpayment or debt.
- B. Each department administration and partner agency must have written procedures regarding the identification and resolution of questionable bills from, or payments to, providers and vendors. These procedures must indicate that overpayments have to be referred to OFR.
- C. OFR may assist in the establishment of the procedures required in “B” (above).
- D. Each department administration must follow the [Administrative Policy 19.85.53](#)

regarding audit overpayments.

- E. With the exception of the areas outlined in [Administrative Policy 4.13](#):
1. All department debts and overpayments must be referred to OFR for collection.
  2. Only the OFR chief may reduce or forgive department overpayments or debts.
  3. Only OFR may collect department vendor and provider debt.
- F. Unless the referring program sends out a notice themselves, OFR must send written notice of the amount owed to providers and vendors who have an overpayment or debt. This notice must:
1. State the basis of the overpayment or debt.
  2. Be given to the provider or vendor by certified mail, return receipt requested or personal service (as defined in RCW 4.28.080 summons, how served).
  3. Contain information on administrative hearing rights.
  4. State that the department will apply interest to the overpayment or debt, as allowed by [RCW 43.20B.695](#).
- G. OFR must record and forward hearing requests to the Office of Administrative Hearings for scheduling, and to the appropriate department administration or program contact, or partner agency when providers and vendors request a hearing.
- H. The department program or partner agency referring the overpayment is responsible for representing the department in any pre-hearing dispute resolution, meeting, conference, or hearing that involves the establishment of the debt or overpayment.
- I. OFR is responsible for responding to issues arising from the collection of the debt or overpayment.