# How Interest Is Calculated

Debtors are allowed a 60-day grace period, including the date of the demand letter, to repay Medicare for services for which they should have paid primary. The date of the recovery demand letter (not the day after) is the first day of the first 30-day period.

Interest assessed is computed as simple interest based on a 360-day calendar year, which is twelve (12) 30-day periods.

Principal *times* the interest rate at the time the demand was issued = interest for the year.
Interest for the year divided by 12 = interest per 30-day period.
Interest per 30-day period times the number of 30-day periods delinquent = interest accrued.

***Principal* x *Interest rate* ÷ *12* = monthly interest x *# Interest periods* = Total Interest Due**

Interest is assessed in 30-day periods. Interest is owed when the debt is not fully paid on or before 60 days from the date of demand. Assess interest on each **full** 30-day period from the date of the recovery demand letter.

Payments are applied to accrued interest first, then to the principal balance. Any principal balance remaining continues to accrue interest every 30 days, beginning with the next interest period after the payment was received. If the principal balance is not paid on or before the last day of the current interest period, additional interest is due on the remaining balance, and continues to accrue every 30 days.

## How to determine the first and last day of a 30-day period

The demand date is day one. Day thirty equals the demand date, plus 29.

For example:
Demand date is March 1, 2010, then the last day of the first 30-day period is March 30, 2010.
The first day of the second 30-day period is March 31, 2010.
The last day of the second 30-day period is April 29, 2010. Therefore, April 29, 2010 is the 60th day. If payment is received on or before April 29, 2010, then no interest is due. If payment is received on April 30, 2010, then two months of interest is due because only two full months have passed.

Example:
A recovery demand letter is issued on 10/31/2010 for $1,000 and the interest rate is 12.5%.
Payment is not submitted until 01/04/2011 (65 days after the date of the demand letter.) Since

only two full 30-day periods have passed, interest will accrue on the $1,000 for two 30-day periods.

1000 x .125 ÷12 = 10.42 x 2 = 20.84
The check amount is $1,000 so the check applies to $20.84 interest, and $979.16 principal. The remaining principal balance is $20.84.  If the balance is not paid before the end of the current 30-day period, additional interest charges accrue on the remaining principal balance.

20.84 x .125 ÷ 12 = 0.22
$0.22 interest accrues every 30-days on the $20.84 balance until payment is made in full.