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Standardization of Fiscal Intermediary Use of Group and Claim Adjustment Reason Codes and Calculation and Balancing of TS2 and TS3 Segment Data Elements

Key Words

TS2, TS3, Reason, X12 835, ABN, MM3685, CR3685, ERA, SPR

Provider Types Affected

Providers who will bill Medicare Fiscal Intermediaries (FIs)

Key Points

- The effective date of the instruction is July 1, 2005.
- The implementation date is July 5, 2005.
- The Centers for Medicare & Medicaid Services (CMS) will require FIs to report a specific group code in combination with specific reason codes in electronic remittance advice (ERA) and in standard paper remittance advice (SPR) transactions, effective July 1, 2005.
- FIs are permitted to use the following group codes in combination with specific reason codes:
 - CO (Contractual Obligation) - Provider is financially liable,
 - CR (Correction and Reversal) - No financial liability,
 - OA (Other Adjustment) - No financial liability, and
 - PR (Patient Responsibility) - Patient is financially liable.
- Although X12 permits use of group code PI (payer initiated), with an adjustment reason code, CMS has never permitted Medicare FIs to use this group code as it fails to identify financial liability for the unpaid amount.
- FIs will not use alternate group and reason code combinations unless a claim indicates a provider obtained an Advance Beneficiary Notice (ABN) or other notice of non-coverage for a service Medicare may not pay because it is generally not considered reasonable and necessary for treatment of a patient or if the item and/or service is one for which the financial liability protections in Section 1879 of the Social Security Act could apply.

- CMS has put forth additional requirements for FIs regarding correct calculation for TS2 and TS3 Segment Data Elements in remittance advice transactions. Most of these data elements report totals for categories of data elements reported elsewhere in an 835.
- CMS will require that these totals balance against the applicable individual data elements, although the X12 835 IG does not specifically require that they balance.
- The tables on pages 3 and 4 of MLN Matters article MM3685 list the semantic notes from the X12 835 workbook that apply to these segments and data elements.
- Data elements must comply with these semantic notes when reported.

Important Links

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/MM3685.pdf>

The official instruction issued to FIs regarding this change can be found at <http://www.cms.hhs.gov/transmittals/downloads/R470CP.pdf> on the CMS website.