

<b>CMS Manual System</b>	<b>Department of Health &amp; Human Services (DHHS)</b>
<b>Pub 100-04 Medicare Claims Processing</b>	<b>Centers for Medicare &amp; Medicaid Services (CMS)</b>
<b>Transmittal 1454</b>	<b>Date: February 22, 2008</b>
	<b>Change Request 5938</b>

**Subject: Department of Veterans Affairs (VA) Claims Adjudication Services Project - New IOM Chapter - Pub. 100-04, Chapter 37 "Department of Veterans Affairs (VA) Claims Adjudication Services Project"**

**I. SUMMARY OF CHANGES:** This Change Request (CR) will add a new chapter to Pub. 100-04, Medicare Claims Processing - Chapter 37, "Department of Veterans Affairs (VA) Claims Adjudication Services Project."

**New / Revised Material**

**Effective Date: April 1, 2008**

**Implementation Date: April 7, 2008**

*Disclaimer for manual changes only: The revision date and transmittal number apply only to red italicized material. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.*

**II. CHANGES IN MANUAL INSTRUCTIONS:** (N/A if manual is not updated)

R=REVISED, N=NEW, D=DELETED-Only One Per Row.

R/N/D	Chapter / Section / Subsection / Title
N	37/1/Background on the VA Claims Adjudication Services Project
N	37/1.1/Requirements for Processing VA Claims
N	37./1.2/Department of VA Claims Adjudication: Coinsurance and Deductible
N	37/1.3/Generating Unsolicited Responses to the VA
N	37/1.4/Use of Legacy Provider Numbers After National Provider Identifiers (NPIs) Are Fully Implemented

**III. FUNDING:**

**SECTION A:** For Fiscal Intermediaries and Carriers:

No additional funding will be provided by CMS; Contractor activities are to be carried out within their operating budgets.

**SECTION B:** For Medicare Administrative Contractors (MACs):

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question

and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

#### **IV. ATTACHMENTS:**

**Business Requirements**

**Manual Instruction**

*\*Unless otherwise specified, the effective date is the date of service.*

# Attachment – Business Requirements

<b>Pub. 100-04</b>	<b>Transmittal: 1454</b>	<b>Date: February 22, 2008</b>	<b>Change Request: 5938</b>
--------------------	--------------------------	--------------------------------	-----------------------------

**SUBJECT: Department of Veterans Affairs (VA) Claims Adjudication Services Project – New IOM Chapter – Pub. 100-04, Chapter 37 “Department of Veterans Affairs (VA) Claims Adjudication Services Project.”**

**Effective Date:** April 1, 2008

**Implementation Date:** April 7, 2008

## I. GENERAL INFORMATION

**Background:** The Department of Veterans Affairs (VA) is permitted, by law, to seek reimbursement from third party insurers for the cost of medical care furnished to insured non-service connected veterans with non-serviced connected disabilities. This law was expanded to give the VA authority to include recovery from third party payers for the cost of medical care provided to service-connected veterans treated for non-service connected conditions. Medicare does not pay these claims, but the remittance advices show how much Medicare would have paid had the claims been payable by Medicare along with the applicable deductibles and coinsurance. In adjudicating a claim and generating these remittance advice notices, the Medicare single processing contractor must verify that the services provided are covered benefits, certify admission where appropriate, conduct prepayment utilization screening, and authorize payment. The Centers for Medicare and Medicaid Services (CMS) has a single contractor to process these claims. The remittance advices, sent by the VA to the supplemental insurers, will help the insurers determine payment amounts they owe to the VA. The VA funds all of the work on this project, including systems changes.

Several change requests were written for this project but no updates were made to the IOM (Internet-Only Manual). CMS recently decided to include this information in Pub. 100-04 - Medicare Claims Processing. A new chapter will be added to the Claims Processing Manual - Chapter 37 “Department of Veterans Affairs (VA) Claims Adjudication Services Project”.

**Policy:** N/A

## II. BUSINESS REQUIREMENTS TABLE

Number	Requirement	Responsibility (place an “X” in each applicable column)								
		A / B  M A C	D M E  M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers			
						F I S S	M C S	V M S	C W F	
5938.1	Medicare contractors shall be aware of the new Chapter 37 - “Department of Veterans Affairs (VA) Claims Adjudication Services Project” being inserted into Pub. 100-04 - Medicare Claims Processing.	X		X	X					

### III. PROVIDER EDUCATION TABLE

Number	Requirement	Responsibility (place an "X" in each applicable column)									
		A / B  M A C	D M E  M A C	F I	C A R R I E R	R H H I	Shared-System Maintainers				OTHER
							F I S S	M C S	V M S	C W F	
	None.										

### IV. SUPPORTING INFORMATION

**Section A: For any recommendations and supporting information associated with listed requirements, use the box below:**

X-Ref Requirement Number	Recommendations or other supporting information:
CR 1219	Department of Veterans Affairs (VA) Claims Adjudication Services Project: Systems Changes Needed
CR 1272	Department of Veterans Affairs (VA) Claims Adjudication Services Project: Systems Changes Needed
CR 2109	Department of Veterans Affairs (VA) Claims Adjudication Services Project: Systems Changes Needed
CR 2783	Department of Veterans Affairs (VA) Claims Adjudication Services Project: Systems Changes Needed
CR 3450	Creation of CWF Auxiliary File and Associated Logic to Properly Calculate Medicare-Equivalent Deductibles for VA Claims
CR 3900	Generating Unsolicited Responses Alerting the Department of Veterans Affairs (VA) to True Medicare Part B Deductible Changes Affecting the Medicare-equivalent Deductibles Applied for Previously Adjudicated VA No-pay Claims
CR 4318	Analysis of Systems Changes Needed to Generate Unsolicited Responses to the VA
CR 4370	Allowing Adjustments to Part A and Part B Veterans Administration (VA) Medicare Remittance Advice (MRA) Claims
CR 5077	Requirements for Systems Changes Needed to Generate Unsolicited Responses to the VA
CR 5223	Department of Veterans Affairs Medicare-equivalent Remittance Advice (MRA) Project: Continued Use of Professional Legacy Provider Numbers After National Provider Identifiers (NPIs) Are Fully Implemented
CR 5240	Allowing VA Claims with Various OSCAR Numbers
CR 5352	Department of Veterans Affairs Medicare-equivalent Remittance Advice (MRA) Project: Continued Use of Professional Legacy Provider Numbers After National Provider Identifiers (NPIs) Are Fully Implemented
CR 5615	Department of Veterans Affairs Medicare-equivalent Remittance Advice (MRA) Project: Continued Use of Part A Legacy Provider Numbers After National Provider Identifiers (NPIs) Are Fully Implemented
CR 5783	New Inpatient Spell and Adjustment Process for VA Claims

**Section B: For all other recommendations and supporting information, use this space: N/A**

### V. CONTACTS

**Pre-Implementation Contact(s):**

Sherry Murray ([sherry.murray@cms.hhs.gov](mailto:sherry.murray@cms.hhs.gov)) 410-786-6145  
 Antoinette Johnson ([Antoinette.Johnson@cms.hhs.gov](mailto:Antoinette.Johnson@cms.hhs.gov)) 410-786-9326

**Post-Implementation Contact(s):**

Sherry Murray ([sherry.murray@cms.hhs.gov](mailto:sherry.murray@cms.hhs.gov)) 410-786-6145  
 Antoinette Johnson ([Antoinette.Johnson@cms.hhs.gov](mailto:Antoinette.Johnson@cms.hhs.gov)) 410-786-9326

## **VI. FUNDING**

### **Section A: For Fiscal Intermediaries and Carriers, use the following statement:**

No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

### **Section B: For Medicare Administrative Contractors (MACs), use the following statement:**

The Medicare Administrative Contractor is hereby advised that this constitutes technical direction as defined in your contract. CMS does not construe this as a change to the MAC Statement of Work. The contractor is not obligated to incur costs in excess of the amounts allotted in your contract unless and until specifically authorized by the Contracting Officer. If the contractor considers anything provided, as described above, to be outside the current scope of work, the contractor shall withhold performance on the part(s) in question and immediately notify the Contracting Officer, in writing or by e-mail, and request formal directions regarding continued performance requirements.

# *Medicare Claims Processing Manual*

## *Chapter 37 - Department of Veterans Affairs (VA) Claims Adjudication Services Project*

---

### *Table of Contents (Rev. 1454, 02-22-08)*

#### *1 – Background on the VA Claims Adjudication Services Project*

##### *1.1 – Requirements for Processing VA Claims*

##### *1.2 – Department of VA Claims Adjudication: Coinsurance and Deductible*

##### *1.3 – Generating Unsolicited Responses to the VA*

##### *1.4 – Use of Legacy Provider Numbers After National Provider Identifiers (NPIs) Are Fully Implemented*

***1 - Background on the VA Claims Adjudication Services Project  
(Rev. 1454, Issued: 02-22-08, Effective: 04-01-08, Implementation: 04-07-08)***

*Current law permits the VA to collect appropriate Medicare coinsurance and deductible amounts from supplemental insurers for claims for supplies and services ordinarily covered by Medicare but furnished:*

- At VA facilities; and*
- For veterans eligible to receive both VA health and Medicare benefits and also having Medicare supplemental insurance.*

*To facilitate this process, the Centers for Medicare & Medicaid Services (CMS) entered into an interagency agreement with the VA whereby CMS will help the VA work with the designated CMS contractor to adjudicate claims for these services to produce remittance advices equivalent to those ordinarily produced for Medicare claims. Medicare does not pay these claims, but the remittance advices show how much Medicare would have paid had the claims been payable by Medicare along with the applicable deductibles and coinsurance. In adjudicating a claim and generating these remittance advice notices, the CMS contractor must verify that the services provided are covered benefits, certify admission where appropriate, conduct prepayment utilization screening, and authorize payment. CMS has a single contractor to process these claims. The remittance advices, sent by the VA to the supplemental insurers, will help the insurers determine payment amounts they owe to the VA.*

*The VA funds all of the work on this project, including systems changes.*

***1.1 - Requirements for Processing VA Claims  
(Rev. 1454, Issued: 02-22-08, Effective: 04-01-08, Implementation: 04-07-08)***

*Veterans typically see more than one physician at a VA facility on a given day. The carrier-defined provider number will contain a "V" in the first position and specialty codes. Including specialty codes permits the VA to have multiple provider numbers to accommodate various professional services furnished at a given facility on the same day for the same beneficiary-veteran. CWF will edit to ensure that only claims having all three of the following conditions will be processed according to the special VA claims adjudication procedures of this project:*

- 1. A demo number of 31 is present;*
- 2. A V is present in the first position of the carrier defined provider number field (HUBC Field 83 Provider Number, Positions 440-449); and*
- 3. The VA processing contractor number is present*

*If only two of these conditions are present, then CWF will reject the claim. If only the demo code of 31 is present, CWF will also reject the claim.*

*The VA will use the following bill types for FI equivalent claims: 11x, (Hospital Inpatient, Part A), 12x (Hospital Outpatient, Part B), 13x (Hospital Outpatient), 14x (Hospital Other, Part B), and 18x (Hospital Swing Beds).*

*The VA will use form 1500 for carrier equivalent claims.*

*To process VA claims from various localities, the VA claims processing contractor has established a database for the Medicare physician fee schedule to include pricing information for all of the States.*

***1.2 - Department of VA Claims Adjudication: Coinsurance and Deductible (Rev. 1454, Issued: 02-22-08, Effective: 04-01-08, Implementation: 04-07-08)***

*Part of this process involves the calculation of the deductible applicable to the Medicare-equivalent VA claims. The CWF calculates the deductible based on true Medicare claims, i.e., for Medicare services rendered by Medicare providers to Medicare beneficiaries, and sends this information back to the shared system maintainers for this project. The MCS and FISS further adjust the deductible information received from CWF with the deductible amounts that apply to the Medicare-equivalent VA claims. This arrangement results in a calculation of the deductible for the VA's equivalent of Part A and B claims.*

*In addition, effective January 1, 2005, CWF began to calculate the Part B-equivalent deductible for Medicare claims taking into consideration the VA equivalents of both Medicare outpatient and professional claims as well as true Medicare claims.*

*To confirm that CMS has made no payment on the VA claim, the remittance advice will include message MA118 –“Coinsurance and or deductible amounts apply to a claim for services or supplies furnished to a Medicare Eligible veteran through a facility of the Department of Veterans Affairs. No Medicare payment issued”. Existing claim adjustment reason codes 1 (deductible) and/or 2 (coinsurance) will be used to report those amounts on these remittance advice transactions.*

*As necessary, CWF expands the VA claim auxiliary file within CWF so that the history of VA Part A-equivalent no-pay claims, adjudicated for the MRA Project, contain sufficient information about the VA claims and Medicare-equivalent Part A deductible and coinsurance amounts applied so that an unsolicited response can be generated. The auxiliary file contains sufficient information so that there can be one such unsolicited response for each VA claim affected.*

*The VA auxiliary file within CWF also provides a claims history for VA Part B equivalent claims. The auxiliary contains the information about VA claims necessary to show Medicare-equivalent Part B deductibles satisfied by the VA claims. National Claims History is not updated with the VA deductible information, and these changes have no effect on Medicare claims. CWF sends the Part B deductible information to the*

*associated contractors for this project. This affects claims with dates of service of January 1, 2004, and after and will use deductible amounts for calendar years 2004 and after.*

### ***1.3 - Generating Unsolicited Responses to the VA (Rev. 1454, Issued: 02-22-08, Effective: 04-01-08, Implementation: 04-07-08)***

*While the VA is entitled by law to collect the coinsurance and deductible amounts that would have been payable had the claim been a true Medicare claim, it is generally permitted to do so only to the extent that there are no true Medicare claims for coinsurance and deductible submitted to the insurer for the same beneficiary for the same year. While the VA submits these Medicare-equivalent claims in good faith, based on the current deductible information within CWF and maintained by the standard systems, situations sometimes arise where a true Medicare claim is subsequently adjudicated and for whom the insurers' payment of deductible is owed. When this occurs, and the supplemental insurer processes the true Medicare claim, it may deny the claim believing it has already paid the deductible, with the possible result of providers in turn billing the Medicare beneficiary for this amount. While the VA is willing to pay back the amounts it collected in error, it will not always know that this situation has occurred, and has asked Medicare to help it determine when this situation has transpired. The solution is an unsolicited response, sent to the VA, indicating that a change in Medicare deductible has occurred since the adjudication of the VA claim. The unsolicited response will show the amount of deductible approved for the affected VA claim and the total true Medicare deductible satisfied as of the date the Medicare claim was adjudicated. There will be one unsolicited response per affected VA claim. The unsolicited responses will be generated each time a Medicare claim affecting the deductible is adjudicated after the adjudication of a VA claim applying a deductible for the same year of service, even if the VA claim has not overapplied the deductible. Although this provision became effective 1/1/06, it affects claims with dates of service January 1, 2004 and later.*

### ***1.4 - Use of Legacy Provider Numbers After National Provider Identifiers (NPIs) Are Fully Implemented (Rev. 1454, Issued: 02-22-08, Effective: 04-01-08, Implementation: 04-07-08)***

*While equivalent to Medicare claims in overall appearance and the nature of the services rendered, VA claims contain unique elements to ensure that they are processed appropriately and apart from Medicare claims, and in particular that payment is not made. Among these characteristics are a demo code and provider numbers which are unique to this project.*

*CMS has determined that it is in its best interests to have the VA continue to submit the MRA project transactions with its legacy numbers instead of NPIs.*

*In addition, if the VA providers begin using an NPI for other purposes, Medicare-equivalent remittance advice claims must be submitted to CMS with a VA OSCAR*

*number as the provider identifier. The demo number (31) will be assigned based on the OSCAR number submitted and by the contractor number.*