Office of Financial Management/Financial Services Group

Revised December 7, 2011

Implementation of Medicare Secondary Payer Mandatory Reporting Provisions in Section 111 of the Medicare, Medicaid, and SCHIP Extension Act of 2007
(See 42 U.S.C. 1395y(b)(7) & (8))

ALERT: New COB MSP Hierarchy Rules for Group Health Plan (GHP) Responsible Reporting Entities (RREs)

This ALERT provides information related to new rules the Coordination of Benefits Contractor (COBC) will implement on **April 1, 2011** for updating and deleting Medicare Secondary Payer (MSP) occurrences and how it affects reporting GHP information mandated by Section 111 of the MMSEA.

Background:

The COBC is charged with collecting information to identify other health insurance Medicare beneficiaries have that is primary to Medicare coverage. This other insurance information is posted by the COBC in the form of MSP occurrences on the Medicare Common Working File (CWF). It is then used in the Medicare claims payment process to prevent mistaken payment of Medicare benefits and for subsequent recovery where mistaken payments were made prior to the identification of the other primary health insurance. In order to obtain comprehensive other insurance information and post it to CWF in a timely fashion to prevent mistaken Medicare payments, the COBC utilizes various methods of data collection including mandated employer questionnaire responses from the IRS/SSA/CMS Data Match process, the Initial Enrollment Questionnaire (IEQ), beneficiaries, mandated Section 111 reporting, and telephone calls to the Beneficiary Call Center (1-800-Medicare) and COBC Call Center. While each of these methods has proven effective, some are more reliable than others and collection from different sources can result in conflicting information or "flip-flopping" of certain fields that make up an MSP occurrence. This in turn can result in reduced data integrity, inaccurate Medicare claim payment and recovery issues.

Most often, the conflicting information is related to the MSP Termination Date. For example, a Section 111 RRE may submit a record reflecting open-ended GHP coverage with no Termination Date (zeroes in Field 11). Subsequently, the Medicare beneficiary may contact the COBC Call Center and report the date of the employee's/subscriber's retirement. After vetting the caller's information, the Call Center will update the MSP occurrence to add the MSP Termination Date to reflect this retirement date and the fact that Medicare is primary after that date. However, the RRE may not be aware of this retirement date and may subsequently submit an update transaction for some other reason with zeroes in the Termination Date. Under current processing, this Section 111 update will erroneously overlay the MSP Termination Date on the MSP occurrence.

To address these issues and improve the integrity of MSP information posted to CWF, CMS and the COBC have developed new requirements related to the maintenance of MSP occurrences where conflicting information is received from different sources. A hierarchy and process flow for the COBC to handle updates and deletes according to the source of other insurance information has been

developed. MSP information, including that collected through Section 111 reporting, will be ranked according to the source of the information. In some cases it is necessary for the COBC to manually lock an MSP occurrence from subsequent changes except those made by the COBC. In other cases, updates and deletes will be allowed according to the rank associated with the source of the incoming update or delete and what source last added or updated the MSP occurrence. The COBC's internal system will be modified as of April 1, 2011 to accommodate these new rules.

The Effect on Section 111 RREs:

The COBC will rank sources of MSP information into the following tiers:

First Tier:

- COBC Analyst - locking MSP occurrences

Second Tier:

- COBC Call Center - COBC Customer Service Representative (CSR)
- MSP Recovery Contractor (MSPRC)
- Beneficiary Call Center (1-800-Medicare)

Third Tier:

- Section 111
- Medicare Advantage (MA)/Part C Plans

Fourth Tier:

- Employer Voluntary Data Sharing Agreements (VDSAs)
- Employer response to IRS/SSA/CMS Data Match Questionnaire

Fifth Tier:

- Other Medicare Contractors
- Beneficiary response to the Initial Enrollment Questionnaire (IEQ)
- All Other

The COBC will apply the following new rules and requirements when updating or deleting an existing MSP occurrence:

- First, the incoming update or delete transaction will be matched to an existing MSP occurrence.
- Then the hierarchy rules will be applied according to the tiered ranking described above:
    - Information received from a higher ranking tier will be allowed to update or delete an MSP occurrence last added or changed by a lower ranking source.
    - Information received from a source will be allowed to update or delete an MSP occurrence last added or changed by a source of equal rank (that is, in the same tier).
    - Information received from a lower ranking tier will NOT be allowed to update or delete an MSP occurrence last added or changed by a higher ranking source. These requested update or delete transactions will be rejected.
- MSP occurrences last added or updated by a Section 111 RRE:
    - Will **NOT be changed** by the sources listed in the Fourth or Fifth Tiers: Employer VDSA, Employer Data Match response, beneficiary IEQ, etc.
    - **Can be changed** by the sources listed in the First, Second, and Third Tiers: the COBC, the MSPRC, the Beneficiary Call Center, MA Plans, and the same or other Section 111 RREs.

- Update and delete transactions submitted by a Section 111 RRE:
    - Will never be allowed to automatically update or delete an MSP occurrence locked by a COBC Analyst (First Tier).
    - Will not be allowed to update or delete an MSP occurrence last added or updated by a source in the Second Tier (COBC CSR, MSPRC, Beneficiary Call Center) without the appropriate use of an Override Code.
    - Will be allowed to update or delete an MSP occurrence last added or updated by a source in the Third, Fourth or Fifth Tiers.
- Section 111 RREs (which are in the Third Tier) will be able to override the hierarchy rules that prevent them from applying updates and deletes to MSP occurrences last added or updated by an entity in the Second Tier. Transactions submitted by a Section 111 RRE to update or delete an MSP occurrence last updated by an entity in the Second Tier will initially be rejected. However, after an initial reject, in their next quarterly file submission, Section 111 RREs will be able to submit a new Override Code to update or delete an MSP occurrence last changed by a source ranked in the Second Tier. The override process is explained in more detail below.
- The COBC will populate all fields on the Section 111 MSP Response File Detail Record with the most current information it has on file pertaining to the MSP occurrence when returning a record rejected due to the hierarchy rules, including the MSP Termination Date. RREs may then use this information to update their internal systems or to assist them in researching the coverage situation further.

New Section 111 GHP Error Codes and Override Code:

The following new SP error codes will be effective April 1, 2011 for MSP Input/Response File processing.

SPH0 (ending in the numeral zero) – Transaction attempted to update/delete an MSP occurrence last updated by a higher ranking source. MSP occurrence is not locked and the RRE may submit an Override Code on the record in its next quarterly file submission. RREs must validate their information prior to resubmission to make sure the override is appropriate.

SPH1 – Transaction attempted to update/delete an MSP occurrence locked by the COBC. No update or delete accepted via Section 111 reporting. Do **NOT** attempt to resubmit this record. Insurer/TPA RREs are advised to contact the associated employer/other plan sponsor to verify the accuracy of data submitted by the RRE. If changes are necessary, contact the COBC Monday through Friday, from 8:00 a.m. to 8:00 p.m., Eastern Time, except holidays, at toll-free lines: 1-800-999-1118 or TTY/TDD: 1-800-318-8782 for the hearing and speech impaired.

SPH2 – Transaction attempted to override the SPH0 error without prior notification. RREs will receive this error if they submit an Override Code on the first attempt of the update/delete. You must first receive the SPH0 error and then submit the Override Code on the record in your next quarterly file submission after verifying that the override is appropriate and necessary.

After receiving the SPH0 error, an RRE must review the information they submitted and determine if the update/delete must be applied or if the RRE's information is out of date, as could be the case for example, in the event of the employee's/subscriber's employment termination or retirement. If you determine that the update/delete must be applied, then submit the transaction again in your next quarterly file submission with a value of HB (hierarchy bypass) in the new Override Code field. The new Override Code (Field 33) is documented in the updated MSP Input File Detail Record layout below. If you determine that the update/delete does not need to be applied, then update your internal system information and take no further action.

After receiving the SPH1 error, the only way to apply the update/delete is by contacting the COBC as specified in the error description above.

Additional Information:

- RREs are advised to retain a record of SPH0 and SPH1 errors received as documentation of failed Section 111 data submission attempts.
- If you believe that an SPH1 was returned on a MSP Response File erroneously and that information reflected in your update or delete transaction must be applied to the MSP occurrence, please contact the COBC at: 1-800-999-1118 or TTY/TDD: 1-800-318-8782 for the hearing and speech impaired. A COBC CSR will assist you in determining if this change can be made outside of your normal Section 111 file submission. And as always, please contact your EDI Representative for assistance as needed.
- CMS is working on a separate alert process that will notify RREs of changes to MSP occurrences they previously added or updated that are made by other sources/entities. Participation in this alert process will be voluntary and more information will be published at a later date.
- The Section 111 GHP User Guide will be updated to include this information in the next version. In the meantime, this information supersedes the information in Version 3.1 of the guide.
- The effective date of the changes described in this alert is April 1, 2011.

Updated MSP Input File Detail Record Effective April 1, 2011 (new Override Code added in Field 33):

Section 111 GHP MSP Input File Detail Record – 425 bytes					
Field	**Name**	**Size**	**Displacement**	**Data Type**	**Description**
1.	HIC Number (HICN)	12	1-12	Alpha-Numeric	Active Covered Individual's/Beneficiary's Health Insurance Claim (Medicare ID) Number (HICN). **Required if SSN not provided**. **Required if the Active Covered Individual is under 45 years of age and is eligible for Medicare due to ESRD or a disability.** Populate with spaces if unavailable.
2.	Beneficiary Surname	6	13-18	Text	Active Covered Individual's/Beneficiary's Last Name – **Required**. Report the last name as it appears on the individual's SSN or Medicare Card.

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Field	**Name**	**Size**	**Displacement**	**Data Type**	**Description**
3.	Beneficiary First Initial	1	19-19	Alpha	Beneficiary's First Initial – **Required**. Report the initial as it appears on the individual's SSN or Medicare Card.
4.	Beneficiary Date of Birth	8	20-27	Date	Beneficiary's DOB (CCYYMMDD) – **Required**.
5.	Beneficiary Sex Code	1	28-28	Numeric	Beneficiary's Sex – **Required**. Valid Values: 0 = Unknown 1 = Male 2 = Female
6.	DCN	15	29-43	Text	Document Control Number; assigned by the Section 111 GHP RRE. **Required**. Each record within the current file must have a unique DCN.
7.	Transaction Type	1	44-44	Numeric	Type of Transaction – **Required**. Valid Values: '0' = Add record '1' = Delete record '2' = Update/Change record
8.	Coverage Type	1	45-45	Alpha-Numeric	Type of Insurance – **Required**. Basic Reporting Option includes Hospital and/or Medical Coverage. Expanded Reporting Option includes all Coverage Types. Valid Values: 'J' = Hospital Only 'K' = Medical Only 'A' = Hospital and Medical 'U' = Drug Only (network Rx) 'V' = Drug Only (non-network Rx) 'W' = Comprehensive Coverage – Hosp/Med/Drug (network Rx) 'X' = Hospital and Drug (network Rx)

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Field	**Name**	**Size**	**Displacement**	**Data Type**	**Description**
					'Y' = Medical and Drug (network Rx) 'Z' = Prescription Drug Health Reimbursement Account (non-network Rx) '4' = Comprehensive Coverage – Hosp/Med/Drug (non-network Rx) '5' = Hospital and Drug (non-network Rx) '6' = Medical and Drug (non-network Rx) 'R' = Health Reimbursement Arrangement (HRA) (effective 10/1/2010).
9.	Beneficiary Social Security Number	9	46-54	Alpha-numeric	Active Covered Individual's/Beneficiary's SSN – **Required if HICN not provided**. Populate with 9 spaces or all zeroes if unavailable.
10.	Effective Date	8	55-62	Date	Start Date of Covered Individual's GHP Coverage by Insurer (CCYYMMDD). **Required**.
11.	Termination Date	8	63-70	Date	End Date of Covered Individual's GHP Coverage. (CCYYMMDD), **Required**. ***Use all zeros if open-ended.***
12.	Relationship Code	2	71-72	Numeric	Covered Individual's Relationship to Policy Holder – **Required**. Valid values: '01' = Self; Covered Individual is Policy Holder or Subscriber '02' = Spouse or Common Law Spouse '03' = Child '20' = Domestic Partner '04' = Other Family Member
13.	Policy Holder's First Name	9	73-81	Text	Employee or Subscriber's First name – **Required.**
14.	Policy Holder's Last Name	16	82-97	Text	Employee or Subscriber's Last Name – **Required**.
15.	Policy Holder's SSN	9	98-106	Numeric	Subscriber/Employee SSN – **Required prior to July 17, 2010**.

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Field	**Name**	**Size**	**Displacement**	**Data Type**	**Description**
					Starting July 17, 2010, RREs must submit ***either*** Field 15 – ***OR*** – the Individual Policy Number (Field 18). RREs are encouraged to use Field 18 instead of Field 15 if possible. Field 18 should reflect the unique identifier the RRE uses for the individual being reported on the record which in most cases is the identification number shown on the individual's insurance card. The value supplied in these fields will be placed on any related recovery demand notifications for the RRE to use to identify the GHP coverage for the individual reported on the record.
16.	Employer Size	1	107	Numeric	Valid Values: '0' = 1 to 19 employees* '1' = 20 to 99 employees* '2' = 100 or more employees If no employer size is provided, the COBC will default this field to a value of '2'. *Employer Size Rule for Multi-Employer Plans: If the employer is part of a multi-employer plan, this field should reflect the size of the **largest** employer in the plan. Enter '1' if employer has fewer than 20 full or part-time employees but is part of a multi-employer plan (a group of plans) and another employer in that group has 20 or more employees. Enter '2' if employer has fewer than 100 full or part-time employees but is part of a multi-employer plan where another employer in that group has 100 or more employees.

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Field	**Name**	**Size**	**Displacement**	**Data Type**	**Description**
					Refer to 42 C.F.R. Part 411.101 and 42 C.F.R. Part 411.170 for details on this calculation. **Required**.
17.	Group Policy Number	20	108-127	Text	Policy Number assigned by GHP Payer. If no group number exists, as in the case of a self-insured RRE, this field may be set to any valid text value as a default. For use when Coverage Type is V, Z, 4, 5, and 6.
18.	Individual Policy Number	17	128-144	Text	GHP's unique individual identifier for the Active Covered Individual (beneficiary) reported on this record. Number that appears on the individual's insurance card. It may reflect a unique identifier used by the RRE for the individual or the subscriber/member/employee's unique identifier. For self-insured RRE's, covered person's member ID or other unique ID used to identify individuals covered by the plan. **Starting July 17, 2010, either the Policy Holder's SSN (Field 15) – *OR* - Individual Policy Number (Field 18) is required.** RREs are encouraged to use Field 18 instead of Field 15 if possible. Field 18 should reflect the unique identifier the RRE uses for the individual being reported on the record which in most cases is the identification number shown on the individual's insurance card. The value supplied in these fields will be placed on any related recovery demand notifications for the RRE to use to identify the GHP coverage for the

Section 111 GHP MSP Input File Detail Record – 425 bytes					
Field	**Name**	**Size**	**Displacement**	**Data Type**	**Description**
					individual reported on the record. **Always required for Coverage Types V, Z, 4, 5, and 6**. **Required when submitting a record for the Small Employer Exception (SEE).**
19.	Employee Coverage Election	1	145	Numeric	Who the Policy Covers – **Required.** '1' = Policyholder/Subscriber Only. '2' = Policyholder/Subscriber & Family (also use this value if the coverage reflects Policyholder/Subscriber & Spouse only). '3' = Policyholder/Subscriber & Dependents, but not Spouse.
20.	Employee Status	1	146	Numeric	'1' = Active/Currently Employed during GHP effective period reported. '2' = Not Active/Not Currently Employed during GHP effective period reported. Since only Active Covered Individuals are to be submitted on the MSP Input File, a value of '2' will only be used when reporting individuals with ESRD who are not covered due to active employment. Otherwise, this indicator should always be '1'. Refer to the section of the User Guide that defines Active Covered Individuals. **Required**.
21.	Employer TIN	9	147-155	Numeric	Employer Tax Identification Number (EIN) – **Required**. A

Section 111 GHP MSP Input File Detail Record – 425 bytes					
Field	**Name**	**Size**	**Displacement**	**Data Type**	**Description**
					matching record must be (or have been) submitted on the TIN Reference File. For multiple employer/multi-employer plans submit the plan sponsor TIN rather than the actual employer TIN.
22.	Insurer/TPA TIN	9	156-164	Numeric	Insurer/TPA Tax Identification Number for the RRE – **Required**. A matching record must be (or have been) submitted on the TIN Reference File. If the RRE is a TPA, report the TIN of the TPA entity. If the RRE is a self-insured employer/plan sponsor entity, then the TIN of the self-insured employer/plan sponsor RRE is to be used.
23.	National Health Plan	10	165-174	Filler	National Health Plan Identifier – (Future Use). **Fill with spaces**.
24.	Rx Insured ID Number	20	175-194	Text	Insured's Identification Number for prescription drug coverage. Applies to drug coverage information reported when using the Expanded Reporting Option. **Required for Coverage Types U, W, X, & Y.**
25.	Rx Group Number	15	195-209	Text	Group Number for prescription drug coverage. Applies to drug coverage information reported when using the Expanded Reporting Option. For use when Coverage Type is V, Z, 4, 5, and 6.
26.	Rx PCN	10	210-219	Text	Rx Processor Control Number. Applies to drug coverage information reported when using the Expanded Reporting Option. **Required if available.**
27.	Rx BIN	6	220-225	Numeric	Benefit Identification Number for

Section 111 GHP MSP Input File Detail Record – 425 bytes					
Field	**Name**	**Size**	**Displacement**	**Data Type**	**Description**
	Number				Rx processing. **Must be a 6-digit number.** Applies to drug coverage information reported when using the Expanded Reporting Option. **Required for Coverage Types U, W, X, & Y.**
28.	Rx Toll Free Number	18	226- 243	Text plus "(" and ")"	Prescription Drug/Pharmacy Benefit Information Toll Free Number. Applies to drug coverage information reported when using the Expanded Reporting Option.
29.	Person Code	3	244-246	Text	Person Code the plan uses to identify specific individuals on a policy. The values are established by the insurer. May also known as a Dependent Code.
30.	Reserved	10	247-256	Alpha-Numeric	Reserved for COBC use. **Fill with spaces only.**
31.	Reserved	5	257-261	Alpha-Numeric	Reserved for COBC use. **Fill with spaces only.**
32.	Small Employer Exception HICN	12	262-273	Alpha-Numeric	Beneficiary's Health Insurance Claim Number if exception has been approved for a small employer. Fill with spaces if there is no approval.
33.	Override Code	2	274-275	Alpha-Numeric	Code used to override specific errors. See Section 7.2.9. Valid Values: HB = Hierarchy bypass. Use to override error code SPH0. Spaces = Not Applicable
34.	Filler	150	276-425	Alpha-Numeric	Unused Field. **Fill with spaces only.**