

DEPARTMENT OF HEALTH & HUMAN SERVICES
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CENTER FOR DRUG AND HEALTH PLAN CHOICE

DATE: November 5, 2009

TO: All Medicare Advantage and PACE Organizations

FROM: Thomas Hutchinson /s/
Director, Medicare Plan Payment Group

SUBJECT: Medicare Secondary Payer Information for Plan Payment Adjustment 2010

This memorandum provides Medicare Advantage (MA) and Program of All Inclusive Care for the Elderly (PACE) organizations (referred to hereafter as health plans) with additional information regarding the CMS Medicare Secondary Payer (MSP) data and the MSP Plan Payment adjustment changes for Calendar Year (CY) 2010. Attached is a new file layout for the updated MSP data and an invitation to a webinar orientation training event for MSP.

As announced in the Advance Notice of Methodological Changes for CY 2010 for MA Capitation Rates and Part C and Part D Payment Policies, beginning in 2010, CMS will make a beneficiary-level payment adjustment to MA and PACE payments to account for the lower expected cost to plans for enrollees who are working aged (WA) and working disabled (WD). This is referred to as the MSP adjustment. CMS will adjust for MSP status at the beneficiary level in the MARx payment system using the Coordination of Benefits (COB) data we have. The formula will be: Beneficiary Specific Monthly Plan Payment = ((Part C Plan Risk Adjustment Rate * Beneficiary's Part C Risk Factor) – MA monthly basic beneficiary premium (if any)) * MSP factor (if any) + applicable rebate (if any). Payment for WA/WD beneficiaries for 2010 will be reduced using an MSP factor of 0.174. CMS intends to implement the beneficiary-level MSP payment adjustment in the July 2010 payment. At that time, the MSP adjustment will be applied retroactively to January 2010. Payment for ESRD beneficiaries will continue to be reduced using an MSP factor of 0.215. As with the ESRD factor, the WA/WD factor will apply if the beneficiary is flagged as being WA or WD on the first day of the month. MA and PACE organizations are expected to: identify payers that are primary to Medicare with the help of COB data; identify the amounts payable by those payers; and coordinate its benefits to Medicare enrollees with the benefits of the primary payers.

CMS has completed its analysis of MSP data for beneficiaries currently enrolled in health plans and has updated MSP period records where appropriate. A new file containing the refreshed data will be sent to health plans in November. The file will include all MSP periods including Group Health Plan (GHP) and Non-GHP insurance for beneficiaries who have at least one GHP period that remains open on January 1, 2010. At this juncture, Health Plans should be concerned only with GHP periods that will be open on January 1, 2010 or later, as this is the information upon which CMS will base the Plan Payment adjustment for MSP. The file layout is provided in Attachment 1. The specific records that will effect Health Plan payments have an MSP code of "A" for Working Aged, "B" for ESRD and "G"

for Disabled, which can be found in “MSP Code” fields of the record layout. The “MSP Termination” Date must be later than December 31, 2009 or blank for the specific period to affect the plan payment. It is possible for one beneficiary to have more than one open, valid GHP covering the same period, so all periods that meet the above criteria should be considered. To determine the “Occurrence Number”, plans must evaluate the position in which the specific GHP instance begins in the file provided by CMS. Refer to the attached file layout to get information on the specific positions. A separate notification will be provided when the updated MSP files are available for health plans, which will include the file naming convention.

Once the health plan becomes aware that an identified MSP period should be deleted, updated, added or terminated, the Health Plan must use the Electronic Correspondence Referral System (ECRS) to notify the Coordination of Benefits Contractor (COBC) of the required action. ECRS is the automated system that facilitates the submission of updated MSP data to the COBC and provides status of the request to the submitter. The Health Plan shall supply the COBC with all known information that was received via written or verbal correspondence from a reliable source, e.g., the Medicare beneficiary, insurer or employer of record. The health plan must retain appropriate documentation including a copy of any correspondence in its paper or electronic files for audit purposes to validate their requested action. Additional MSP instructions can be found in the CMS Internet Only Manual, publication 100-05; Medicare Secondary Payer Manual; especially Chapter 5.

In mid-November, a summary of the process for submitting an ECRS request will be provided, including specific contact information for Health Plans, should assistance with ECRS be required. Additionally, Computer Based Training (CBT) courses are currently being developed to enhance your knowledge and understanding of a wide range of subjects including: MSP, ECRS, and Group Health Plan coverage.

You are invited to a webinar training session on November 17, 2009, which will provide a high-level overview on important MSP topics and Coordination of Benefits for Health Plans. Please see the invitation in Attachment 2.