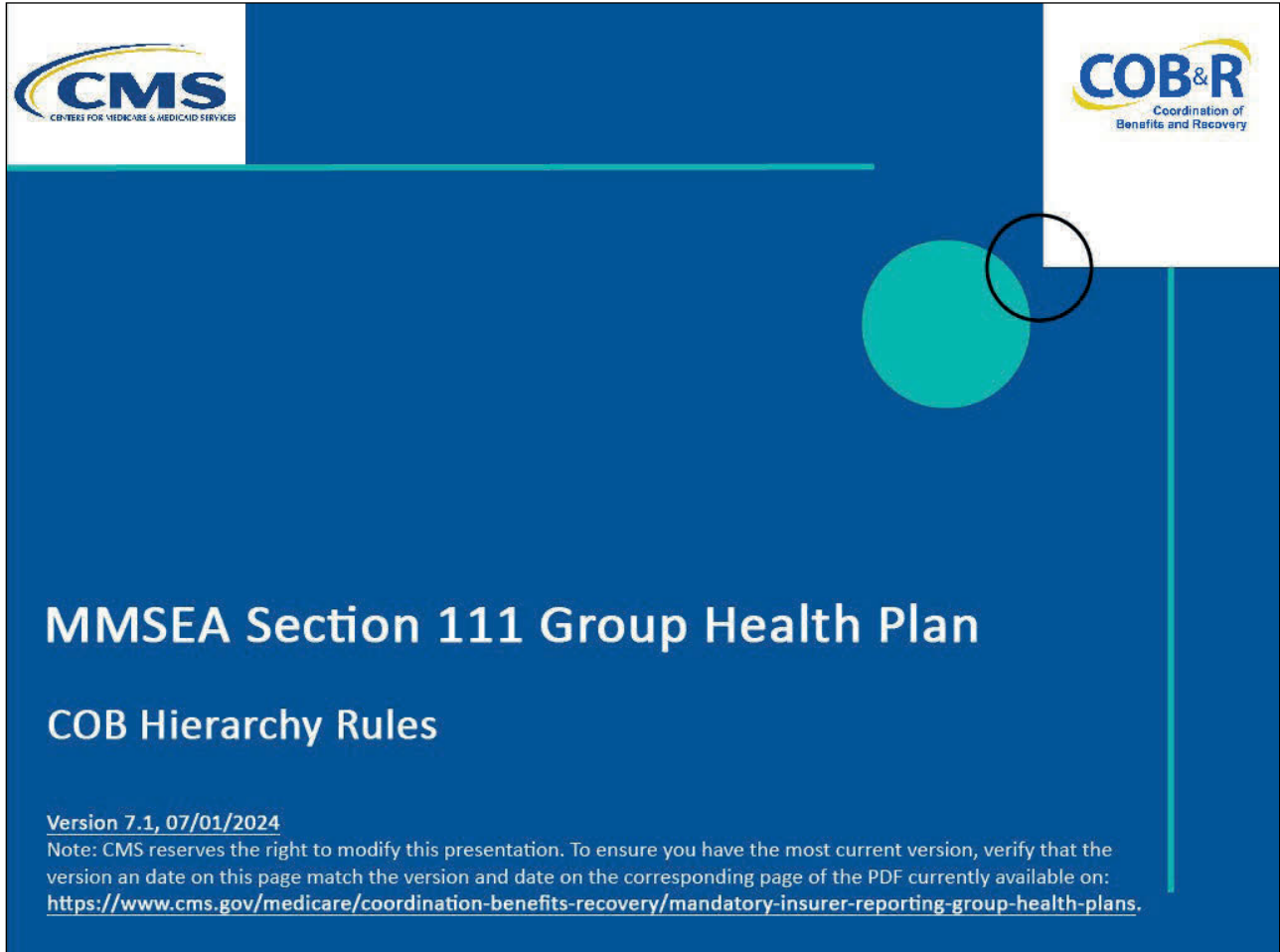


## COB Hierarchy Rules Introduction

### Slide 1 of 25 - COB Hierarchy Rules Introduction

The slide has a blue background. In the top left corner is the CMS logo (Centers for Medicare & Medicaid Services). In the top right corner is the COB&R logo (Coordination of Benefits and Recovery). A large teal circle is on the right side, with a black circle overlapping its top right edge. The main title is "MMSEA Section 111 Group Health Plan" in white, followed by "COB Hierarchy Rules" in white. At the bottom left, it says "Version 7.1, 07/01/2024" and includes a note about CMS reserving the right to modify the presentation, with a link to the PDF version on the CMS website.

**CMS**  
CENTERS FOR MEDICARE & MEDICAID SERVICES

**COB&R**  
Coordination of  
Benefits and Recovery

# MMSEA Section 111 Group Health Plan

## COB Hierarchy Rules

Version 7.1, 07/01/2024  
Note: CMS reserves the right to modify this presentation. To ensure you have the most current version, verify that the version and date on this page match the version and date on the corresponding page of the PDF currently available on:  
<https://www.cms.gov/medicare/coordination-benefits-recovery/mandatory-insurer-reporting-group-health-plans>.

### Slide notes

Welcome to the Coordination of Benefits (COB) Hierarchy Rules course.

**Slide 2 of 25 - Disclaimer**

## Disclaimer

While all information in this document is believed to be correct at the time of writing, this Computer Based Training (CBT) is for educational purposes only and does not constitute official Centers for Medicare and Medicaid Services (CMS) instructions for the MMSEA Section 111 implementation. All affected entities are responsible for following the instructions found at the following link:

<https://www.cms.gov/medicare/coordination-benefits-recovery/mandatory-insurer-reporting-group-health-plans>.

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**Slide 3 of 25 - Course Overview**

## Course Overview

- Background information on the COB Hierarchy Rules implementation
- Clarifies “flip-flopping of fields on an MSP occurrence”
- Explains the new COB Hierarchy Rules
- Review the MSP Hierarchy Requirements

**Slide notes**

This course was created to provide background information as to why the COB Hierarchy Rules were implemented. It will clarify what is meant by “flip-flopping of fields on an MSP occurrence” and explain how the COB Hierarchy rules work.

Before beginning this course, it is recommended that you review the Medicare Secondary payer (MSP) Hierarchy Requirements in Section 7.2.9 of the GHP User Guide.

**Slide 4 of 25 - Background**

## Background

- The BCRC collects information to identify other health insurance that Medicare beneficiaries have that is primary to their Medicare coverage
  - Information is posted as an MSP occurrence on CWF
  - Used in Medicare claims payment process to prevent mistaken payment of Medicare benefits
  - Passed to the CRC for use in recovering money owed to Medicare

**Slide notes**

The Benefits Coordination & Recovery Center (BCRC) collects information to identify other health insurance that Medicare beneficiaries have that is primary to their Medicare coverage.

This other insurance information is posted by the BCRC 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 is also passed to the Commercial Repayment Center (CRC) for use in recovering money owed to Medicare for claims paid erroneously by Medicare.

**Slide 5 of 25 - Background**

## Background

The BCRC utilizes various methods of data collection including

- Mandated employer questionnaire responses from the IRS/SSA/CMS Data Match process
- Initial Enrollment Questionnaire (IEQ)
- Mandated Section 111 reporting
- Telephone calls to the
  - Beneficiary Call Center and
  - BCRC Call Center

CMS has found that historically

- Some sources are more reliable than others
- Collection from different entities can result in conflicting information or “flip-flopping” of certain fields that make up an MSP occurrence

**Slide notes**

The BCRC utilizes various methods of data collection including mandated employer questionnaire responses from the IRS/SSA/CMS Data Match process, the Initial Enrollment Questionnaire (IEQ) sent to Medicare beneficiaries, mandated Section 111 reporting, and telephone calls to the Beneficiary Call Center (1-800-Medicare) and the BCRC Call Center.

While each of these methods has proven effective, CMS has found that historically, some sources are more reliable than others and collection from different entities can result in conflicting information or “flip-flopping” of certain fields that make up an MSP occurrence.

Most often, the conflicting information is related to the MSP Termination Date.

**Slide 6 of 25 - Flip-Flopping of Fields on an MSP Occurrence**

## Flip-Flopping of Fields on an MSP Occurrence

- Occasionally an important field is updated by an entity, subsequently changed by another entity and then reversed back
- “Flip-flopping” can result in
  - Reduced data integrity
  - Inaccurate Medicare claim payment
  - Recovery issues

**Slide notes**

Occasionally, an important field on an MSP occurrence (e.g., Termination Date) is updated by one entity and then subsequently changed by another entity and then reversed back to the original value provided by the first entity.

This “flip-flopping” of fields on the MSP occurrence can result in reduced data integrity, inaccurate Medicare claim payment and recovery issues.

**Slide 7 of 25 - Flip-Flopping of Fields on an MSP Occurrence**

## Flip-Flopping of Fields on an MSP Occurrence

- RRE ID 12345 submitted an MSP Input File Record for Medicare ID 111002222
  - Effective Date was 1/1/2011
  - Termination Date was all zeroes
  - MSP occurrence was added to CWF to reflect the beneficiary's GHP coverage that is primary to Medicare
- Subsequently, the Medicare beneficiary reported that he retired on 3/1/2011
  - A BCRC Customer Service Representative (CSR) applied the 3/1/2011 Termination Date to the MSP occurrence
  - Medicare is primary after 3/1/2011

**Slide notes**

Let's say, RRE ID 12345 previously submitted an MSP Input File Record for Medicare ID 111002222. The Effective Date was 1/1/2011. The Termination Date was all zeroes (open-ended GHP coverage).

The BCRC accepted this record, and an MSP occurrence was added to CWF to reflect the beneficiary's GHP coverage that is primary to Medicare.

After the posting of the MSP occurrence, the Medicare beneficiary contacted the BCRC Call Center and reported that he retired on 3/1/2011.

A BCRC Customer Service Representative (CSR) applied the 3/1/2011 Termination Date to the MSP occurrence. This Termination Date means that Medicare is primary after the Medicare beneficiary's retirement date (3/1/2011).

Note: If the beneficiary expands or reduces their insurance coverage, first terminate the record by providing an end date and then send an add record with the updated coverage.

**Slide 8 of 25 - Flip-Flopping of Fields on an MSP Occurrence**

## Flip-Flopping of Fields on an MSP Occurrence

- RRE ID 12345 identified that an update was needed to correct the Individual Policy Number on the record they originally added
  - RRE was unaware of the beneficiary's retirement date
  - RRE submitted all zeroes in the Termination Date field
- Previously, this update transaction would be applied and would have removed the Termination Date added by the BCRC CSR
  - MSP occurrence would have been reopened incorrectly indicating that the GHP coverage was primary to Medicare
  - The beneficiary's Medicare claims would be handled incorrectly

**Slide notes**

Meanwhile, RRE ID 12345 identified that an update was needed to the previously accepted MSP occurrence to correct the Individual Policy Number submitted on its original Add Record.

When the RRE submitted this Update Record, they were not aware of the beneficiary's retirement date. Therefore, the RRE submitted all zeroes in the Termination Date field.

In the past, this update transaction would automatically be applied and would have removed the Termination Date added by the BCRC CSR. The MSP occurrence would have been incorrectly reopened.

The GHP coverage would have once again been primary to Medicare. This would have resulted in improper handling of the beneficiary's Medicare claims.



**Slide 9 of 25 - Rules Related to MSP Occurrence**

## Rules Related to MSP Occurrence Maintenance

To address these issues and help prevent inaccurate updates

- CMS and the BCRC developed rules related to the maintenance of MSP occurrences and the handling of updates and deletes

**Slide notes**

To address these issues and help prevent inaccurate updates (i.e., “flip-flopping”) of MSP occurrences, CMS and the BCRC developed rules related to the maintenance of MSP occurrences and the handling of updates and deletes.

**Slide 10 of 25 - Hierarchy Ranking**

## Hierarchy Ranking

When an update/delete request is received, it is placed in a hierarchy depending on the source of the information

Hierarchy is arranged from most reliable source (First Tier) to least reliable source (Fifth Tier)

**Slide notes**

When an update or delete request is received, it will be placed in a hierarchy ranking depending on the source of the information.

The hierarchy is arranged from the most reliable source (First Tier) to the least reliable source (Fifth Tier). The decision to apply the update or delete will be based on the reliability of the source of that information.

**Slide 11 of 25 - Hierarchy Tiers****Hierarchy Tiers**

| Tier Level Ranking | Source of Update/Delete Request  |
|--------------------|--|
| First              | BCRC Analyst   |
| Second             | BCRC Call Center - BCRC CSR<br>CRC<br>Beneficiary Call Center (1-800-Medicare) |
| Third              | Section 111 RRE<br>Medicare Advantage (Part C Plan)                            |
| Fourth             | Employer VDSA<br>Employer Data Match   |
| Fifth              | Medicare Contractors, IEQ, all others  |

- In some cases, the First Tier has the authority to manually lock an MSP Occurrence from subsequent changes

**Slide notes**

The following are the Tier Levels that will be used to rank update/delete requests:

- The First Tier includes the BCRC Analyst;
- The Second Tier includes the BCRC Call Center - BCRC CSR, the CRC, and the Beneficiary Call Center (1-800-Medicare);
- The Third Tier includes Section 111 Responsible Reporting Entities (RREs) and Medicare Advantage (Part C Plans);
- The Fourth Tier includes Employer Voluntary Data Sharing Agreement (VDSA) and Employer response to IRS/SSA/CMS Data Match Questionnaire; and
- The Fifth Tier includes other Medicare Contractors, beneficiary response to the IEQ and all others.

Note: In some cases, the First Tier will have the authority to manually lock an MSP occurrence from any subsequent changes except those made by the BCRC.

## Slide 12 of 25 - Hierarchy Rules for Processing Records

## Hierarchy Rules for Processing Records

- When an update/delete request is received
  - Transaction will be matched to an existing MSP occurrence
  - Source of information (Tier level) on current (incoming) transaction will be compared to source of information (Tier level) of the entity that last added, updated, or deleted the MSP occurrence to determine if the update/delete will be allowed

**Slide notes**

When an update or delete request is received by the BCRC, the transaction will first be matched to an existing MSP occurrence.

Next, the source of information (Tier level) on the current (incoming) transaction will be compared to the source of information (Tier level) of the entity that last added, updated, or deleted the MSP occurrence to determine if the update/delete will be allowed.

## Slide 13 of 25 - Hierarchy Rules for Processing Records - Examples

## Hierarchy Rules for Processing Records - Examples

| Current Source (Tier Level) of update/delete   | Previous Source (Tier Level) of add/update/delete | Update/ Delete |
|--|---|----------------|
| BCRC CSR (Tier 2)                              | Section 111 GHP RRE (Tier 3)                      | Allowed        |
| Medicare Advantage Plan (Part C Plan) (Tier 3) | Section 111 GHP RRE (Tier 3)                      | Allowed        |
| Section 111 GHP RRE (Tier 3)                   | BCRC (Tier 2)                                     | Not allowed    |

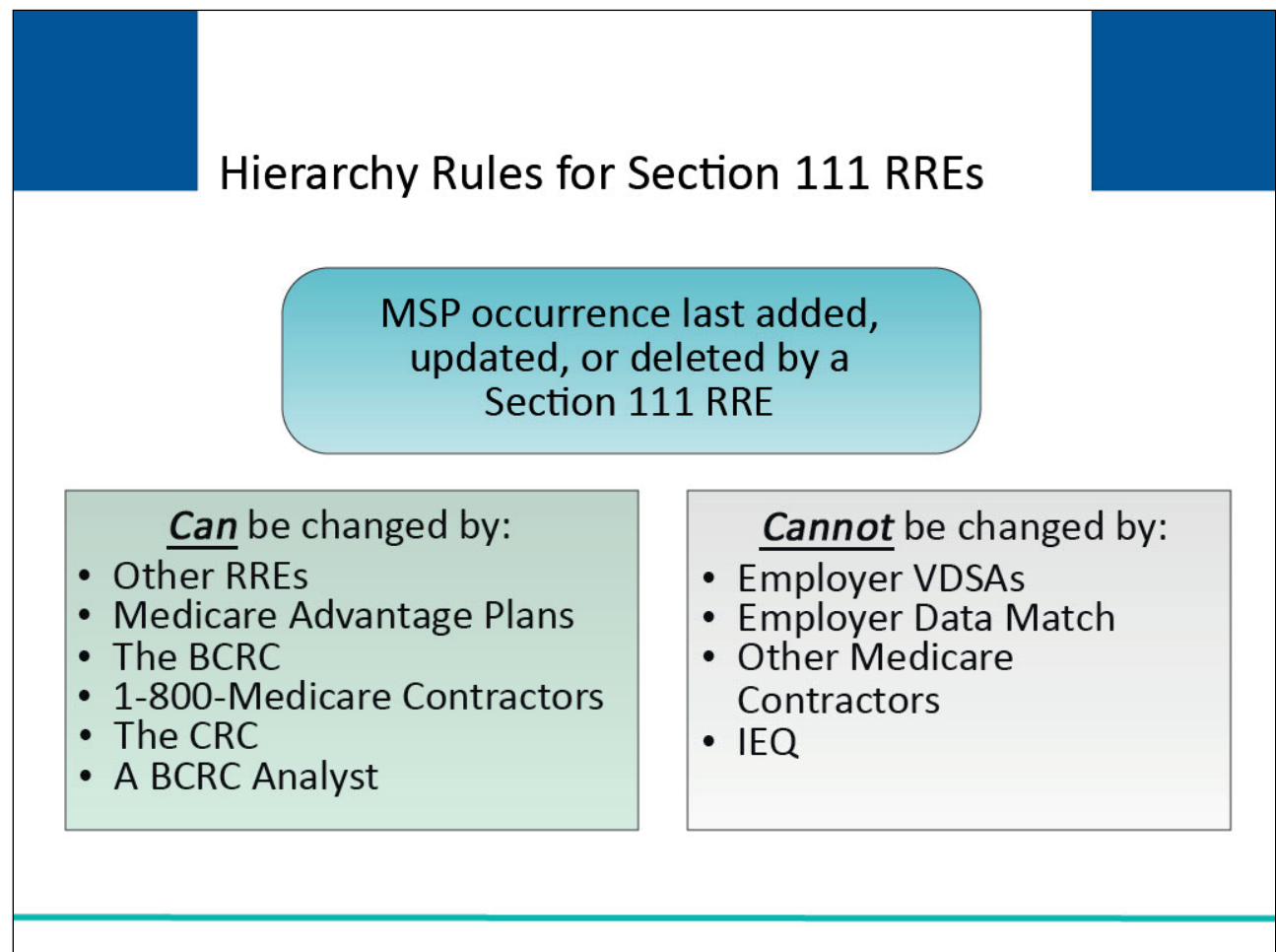
### Slide notes

If the current source of the update/delete (e.g., a BCRC CSR in Tier 2) is in a higher-ranking Tier than the previous source of the add/update/delete (e.g., a Section 111 RRE in Tier 3), the update/delete will be allowed.

If the current source of the update/delete (e.g., a Medicare Advantage Plan in Tier 3) is in the same ranking Tier as the previous source of the add/update/delete (e.g., a Section 111 RRE in Tier 3), the update/delete will be allowed.

If the current source of update/delete (e.g., a Section 111 RRE in Tier 3) is in a lower ranking Tier than the previous source of the add/update/delete (e.g., a BCRC in Tier 2), the update/delete will NOT be allowed.

## Slide 14 of 25 - Hierarchy Rules for Section 111 RREs

**Slide notes**

When an MSP occurrence was last added, updated, or deleted by a Section 111 RRE, the data in the MSP occurrence can be changed by other RREs, Medicare Advantage Plans, the BCRC, 1-800-Medicare, the CRC, and a BCRC Analyst.

Data applied to MSP occurrences via Section 111 files cannot be changed by Employer VDSAs, Employer Data Match, other Medicare Contractors, IEQ etc.

**Slide 15 of 25 - SPH0**

## Error Code SPH0

Section 111 RREs (Third Tier) can override the hierarchy rules that prevent them from applying updates and deletes to MSP occurrences last added or updated by a

- Second Tier (BCRC, CRC, 1-800-Medicare)

**Slide notes**

Section 111 RREs (i.e., 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 a source associated to the Second Tier (i.e., the BCRC, CRC, 1-800-Medicare).

Initially these transactions will be rejected with Error SPH0 (Transaction attempted to update/delete an MSP occurrence last updated by a higher-ranking source).

**Slide 16 of 25 - SPH0**

## Error Code SPH0

- The BCRC will populate all fields on the response file with the most current information it has, including the MSP Termination Date
- Use information to verify accuracy of submitted data
- Do not automatically attempt to override any records without first validating them

**Slide notes**

When you receive an SPH0 Error Code, the BCRC 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 matching MSP occurrence, including the MSP Termination Date.

RREs must use this information to research the coverage situation to verify the accuracy of the submitted data. RREs should NOT automatically attempt to override any records without first validating them.



**Slide 17 of 25 - SPH0**

## Error Code SPH0

- As long as MSP occurrence is not locked and you have confirmed the validity of the data
  - Submit transaction in next quarterly file with the value of 'HB' in the Override Code field (Field 33)
- If update/delete does not need to be applied
  - Update internal system files
  - Take no further action
- Maintain a record of SPH0 errors received

**Slide notes**

As long as the MSP occurrence is not locked and you have confirmed the validity of your data, you may submit the transaction again in your next quarterly file submission with a value of 'HB' (Hierarchy Bypass) in the Override Code (Field 33).

However, if you determine that the update/delete does not need to be applied, then you must update your internal system information and take no further action.

RREs are advised to retain a record of SPH0 errors received as documentation of failed Section 111 update/delete attempts.

## Slide 18 of 25 - SPH2

## Error Code SPH2

- Received if RRE attempts to submit the Override Code without first receiving the SPH0 error
- SPH0 must be received first
  - Override Code should only be used after verifying that the override is appropriate and necessary
- Essential for RREs to research underlying cause of conflicting information before simply resubmitting the record with the Override Code



### Slide notes

If the Section 111 RRE attempts to submit the Override Code without first receiving the SPH0 error, they will receive Error SPH2 (Transaction attempted to override the SPH0 error without prior notification).

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.

It is essential for RREs to research the underlying cause of the conflicting information and validate the accuracy of their data before simply resubmitting the record with the Override Code.

**Slide 19 of 25 - SPH1**

## Error Code SPH1

- Section 111 RREs (Third Tier) can never automatically update or delete an MSP occurrence that was locked by a BCRC Analyst (First Tier)
  - Receive SPH1 (Transaction attempted to update/delete an MSP occurrence locked by the BCRC. No update or delete accepted via Section 111 reporting)

**Slide notes**

Section 111 RREs (i.e., Third Tier) can never automatically update or delete an MSP occurrence that was locked by a BCRC Analyst (First Tier).

When an RRE attempts to update/delete an MSP occurrence that is locked, they will receive error SPH1 (Transaction attempted to update/delete an MSP occurrence locked by the BCRC. No update or delete accepted via Section 111 reporting).

**Slide 20 of 25 - SPH1**

## Error Code SPH1

- Do not resubmit the record
- The BCRC will populate all fields on the response file with the most current information it has
  - Insurer/TPA RREs should contact the employer/other plan sponsor to verify accuracy of data submitted by the RRE

**Slide notes**

When you receive SPH1, do NOT attempt to resubmit this record.

When an SPH1 error is returned, the BCRC 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 matching MSP occurrence, including the MSP Termination Date.

Insurer/TPA RREs are advised to contact the associated employer/other plan sponsor to verify the accuracy of data submitted by the RRE.

**Slide 21 of 25 - SPH1**

## Error Code SPH1

If you determine that an SPH1 was returned erroneously, and that information reflected in your update/delete must be applied to the MSP occurrence

- Contact the BCRC at 1-855-798-2627 or 1-855-797-2627 for the hearing and speech impaired

If you can provide documentaion, the BCRC will assist you in applying your modification

RREs advised to retain a record of SPH1 errors received

**Slide notes**

If you determine through your investigation that an SPH1 was returned erroneously and that information reflected in your update or delete transaction must be applied to the MSP occurrence, please contact the BCRC at 1-855-798-2627 or 1-855-797-2627 for the hearing and speech impaired.

The BCRC will assist you in determining if this change can be made outside of your normal Section 111 file submission.

If you can provide documentation that demonstrates your update/delete is valid, the BCRC will be able to assist you in applying your modification.

Please note: RREs are advised to retain a record of SPH1 errors received as documentation of failed Section 111 update/delete attempts.

**Slide 22 of 25 - Unsolicited MSP Response Program**

## Unsolicited MSP Response Program

- CMS's separate, optional alert process available to GHP RREs
- Allow participating RREs to receive prompt notification of changes made by other sources to MSP occurrences previously added/updated/deleted by them
- Provide RREs with a vehicle to confirm/refute the accuracy of conflicting MSP information
- Participation is voluntary
- Streamline an RRE's use of the hierarchy Override Code

**Slide notes**

The Unsolicited MSP Response Program is CMS's separate, optional alert process available to GHP RREs.

This program will allow participating RREs to receive prompt notification of changes made by other sources to MSP occurrences that were previously added, updated, or deleted by them.

It will provide RREs with a vehicle to confirm/refute the accuracy of conflicting MSP information. Participation in this program will be voluntary.

Please see the GHP User Guide (Section 7.2.10 Unsolicited Response File) and the [Unsolicited MSP Response File Benefits](#) and [Unsolicited MSP Response File Processing](#) CBTs for more information.

Please Note: Participation in the Unsolicited Response Program will streamline an RRE's use of the hierarchy Override Code.



**Slide 23 of 25 - Course Summary**

## Course Summary

- Background information on the COB Hierarchy Rules implementation
- Clarifies “flip-flopping of fields on an MSP occurrence”
- Explains the new COB Hierarchy Rules
- Review the MSP Hierarchy Requirements

**Slide notes**

This course was created to provide background information as to why the COB Hierarchy Rules were implemented. It clarified what is meant by “flip-flopping of fields on an MSP occurrence” and explained how the COB Hierarchy rules work.

**Slide 24 of 25 - COB Hierarchy Rules Conclusion**

You have completed the COB Hierarchy Rules course. Information in this course can be referenced by using the GHP User Guide's table of contents and any subsequent alerts. These documents are available for download at the following link:

<https://www.cms.gov/medicare/coordination-benefits-recovery/mandatory-insurer-reporting-group-health-plans>.

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**Slide 25 of 25 – GHP Training Survey**



If you have any questions or feedback on this material,  
please go to the following URL:  
<https://www.surveymonkey.com/s/GHPTraining>.



**Slide notes**

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