

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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CENTER FOR DRUG and HEALTH PLAN CHOICE

TO: All Part D Sponsors

FROM: Cynthia G. Tudor, Ph.D., Director, Medicare Drug Benefit and C & D Data Group

SUBJECT: Guidance on Coordination of Benefits (COB) File Interpretation

DATE: November 24, 2008

This memorandum provides additional guidance to Part D sponsors regarding the interpretation, usage and availability of information contained within the coordination of benefits (COB) file. Part D sponsors and States have been reporting either delayed or inaccurate COB information when a pharmacy submits a Part D claim for processing. After reviewing individual cases, CMS has found that Part D sponsors are not processing the COB files correctly, resulting in a delay of the correct payer information being applied at the pharmacy or point-of-sale. The purpose of this memorandum is to ensure all Part D sponsors are processing the COB file correctly.

Interpretation of the COB file

When receiving the COB file, Part D sponsors must replace the entire beneficiary record for each changed record. The COB file contains information regarding the beneficiary's other health insurance information or OHI. The OHI is either primary to Part D, or supplemental to Part D. If an enrollee's OHI record has been added, changed, or deleted, this will trigger a full replacement of that enrollee's detail (DTL) and subordinate primary (PRM) and supplemental (SUP) records.

As an example, if the Part D sponsor is showing a current beneficiary record with PRM and SUP, the beneficiary has primary coverage to Part D, as well as supplemental coverage to Part D. When a claim for that beneficiary is processed at the pharmacy, the PRM should pay first, Part D second, and SUP third. When the Part D sponsor receives an updated COB file containing a new record for this beneficiary (for example, with only SUP), the entire beneficiary record should be replaced. Replacing the entire record removes the PRM indicator and allows the claim to process through the Part D sponsor first, then to the supplemental payer. If the entire record is not replaced and the PRM remains, the Part D plan will reject the pharmacy claim based upon the incorrect record that still contained information that the beneficiary had primary OHI to Part D.

A DTL record that does not have accompanying records for PRM and/or SUP insurance information notifies the Part D sponsor that OHI records have been deleted from the Medicare Beneficiary Database (MBD). The absence of SUP and PRM distinguishes it as a deleted OHI record. DTL records for all other OHI changes must have at least one accompanying PRM or SUP record.

Using COB File for Premium Coordination

The information on the COB file is collected by the COB contractor solely for establishing payer order. For Medicare Secondary Payer (MSP) purposes under Medicare Parts A and B, the COB contractor determines payer order responsibilities avoiding duplication of payment and preventing Medicare from paying primary when it is secondary. The COB contractor also provides the mechanism for support of the tracking and calculating of beneficiaries' "true out-of-pocket" (TrOOP) expenditures under Part D.

The information provided by the COB contractor cannot be used to facilitate billing State Pharmaceutical Assistance Programs (SPAPs) for premium payments. If an SPAP is paying premiums on behalf of its members, the details of such arrangements should be negotiated between the SPAP and Part D sponsor. However, we continue to encourage Part D sponsors to confirm, using the COB file, when an SPAP is paying on behalf of the beneficiary prior to releasing systematic disenrollment notices to these beneficiaries.

Availability of COB Information When a Beneficiary Changes Plans

Part D sponsors should be aware of available COB information when beneficiary enrollment changes. When a beneficiary enrolls into a new plan, the contract or plan benefit package (PBP) number will change. This change prompts CMS to notify the new plan of record of the new member's COB information. However, when a Part D sponsor sells its Part D line of business to another sponsor, CMS does not automatically notify the new sponsor of the new member's COB information. The agreement transferring the line of business between the two sponsors should specify that the COB information will be transferred.

If you have any questions regarding this guidance, please contact Christine Hinds at (410) 786-4578 or Christine.Hinds@cms.hhs.gov.