

| | |
|---|---|
| CMS Guidance Document | Department of Health & Human Services (DHHS) |
| | Centers for Medicare & Medicaid Services (CMS) |
| Executive Guidance Number | Date: August 21, 2007 |
| Planned Web Site Address http://www.cms.hhs.gov/ | Release planned: 09/04/07 |

PROGRAM AREA: CBC-Medicare Advantage and Part D programs

SUBJECT: Direct billing when a beneficiary is in premium withholding status

APPLIES TO: Beneficiary premium payments for Part C and or Part D

I. SUMMARY OF DOCUMENT: While this practice has been discouraged by CMS, some plans have directed billed beneficiaries during periods when the beneficiary was in premium withholding status, but the plan did not get paid in full. Plans will receive unpaid withheld amounts as part of the 2006 premium reconciliation. Once the appropriate plan level premium payment reconciliation has taken place the plan will be in an overpayment of premiums condition for that beneficiary. In other words, their member will be entitled to a refund for the direct billed amounts the plan has now been paid via premium withholdings. CMS urges plans to carefully review the refund rule at 42 CFR § 422.270

Informational

II. CHANGES IN POLICY INSTRUCTIONS: (If not applicable, indicate N/A)

STATUS: R=REVISED, N=NEW, D=DELETED.

| Status | CHAPTER/SECTION/SUBSECTION/TITLE |
|---------------|--|
| N/A | No new policy or interpretation of policy. This document alerts plans to a situation directly implicating existing policy. |
| | |
| | |

III. CLEARANCES:

| | |
|------------------------------------|---|
| Clearance & Point of Contact (POC) | Name/Telephone/Component Mark Newsom (CBC) 410-786-3198 |
| Senior Official Clearance | |
| Agency POC | |

IV. TYPE (Check appropriate boxes for type of guidance)

| | |
|-------------------------------------|---|
| <input type="checkbox"/> | Audit Guide |
| <input type="checkbox"/> | Change Request |
| <input checked="" type="checkbox"/> | HPMS |
| <input type="checkbox"/> | Joint Signature Memorandum/Technical Director Letter |

| | |
|--|--|
| | Manual Transmittal/Non-Change Request |
| | State Medicaid Director Letters |
| | Other |

V. STATUTORY OR REGULATORY AUTHORITY: [include the citation of what statute or regulation is being interpreted. If not applicable, indicate N/A]

N/A

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Beneficiary Choices
7500 Security Boulevard, Mail Stop C4-23-07
Baltimore, Maryland 21244-1850



CENTER FOR BENEFICIARY CHOICES

DATE: xxx xx, 2007

TO: All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans, PACE Organizations and Demonstrations

FROM:

SUBJECT: Direct billing when a beneficiary is in premium withholding status

Premium withholding discrepancies that may result in double billing

In the July 23, 2007 memorandum “Update on the 2006 Premium Withholding Reconciliation (PWR) including file layouts for new ad-hoc member level report” CMS described scenarios where 2006 withheld premiums that were not paid to the correct plan would be reconciled. CMS has been made aware of cases where plans have direct billed their members for months when the forwarded withholding was less than expected.

Example A. Premium withholding does not switch with an enrollment change

| | Enrollment | Expected withholding | Actual withholding | Plan A payment | Plan B payment |
|--------|-------------------|-----------------------------|---------------------------|-----------------------|-----------------------|
| Jan-06 | Plan A | \$20.00 | \$20.00 | \$20.00 | \$0.00 |
| Feb-06 | Plan A | \$20.00 | \$20.00 | \$20.00 | \$0.00 |
| Mar-06 | Plan A | \$20.00 | \$20.00 | \$20.00 | \$0.00 |
| Apr-06 | Plan B | \$20.00 | \$20.00 | \$20.00 | \$0.00 |
| May-06 | Plan B | \$20.00 | \$20.00 | \$20.00 | \$0.00 |
| Jun-06 | Plan B | \$20.00 | \$20.00 | \$20.00 | \$0.00 |
| Jul-06 | Plan B | \$20.00 | \$20.00 | \$0.00 | \$20.00 |
| Aug-06 | Plan B | \$20.00 | \$20.00 | \$0.00 | \$20.00 |
| Sep-06 | Plan B | \$20.00 | \$20.00 | \$0.00 | \$20.00 |
| Oct-06 | Plan B | \$20.00 | \$20.00 | \$0.00 | \$20.00 |
| Nov-06 | Plan B | \$20.00 | \$20.00 | \$0.00 | \$20.00 |
| Dec-06 | Plan B | \$20.00 | \$20.00 | \$0.00 | \$20.00 |
| | YTD | \$240.00 | \$240.00 | \$120.00 | \$120.00 |

Assumptions

- Plan A premium = \$20
- Plan B premium = \$20
- No low-income status

Premium reconciliation outcome for Example A: Plan A should have received \$60.00 total for the premium months January through March. Instead it received \$120.00 for January through June. Plan B received payments totaling \$120.00 on withholdings for July through December. Plan B should have also

received an additional \$60.00 for the withholdings from April through June. The reconciliation will make the proper plan payment adjustment taking back \$60.00 from Plan A and sending it to Plan B.

Example B. Wrong amount withheld triggering a stop on payment

| | Enrollment | Expected withholding | Actual withholding | Plan A payment |
|--------|-------------------|-----------------------------|---------------------------|-----------------------|
| Jan-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Feb-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Mar-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Apr-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| May-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Jun-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Jul-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Aug-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Sep-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Oct-06 | Plan A | \$30.00 | \$30.00 | \$30.00 |
| Nov-06 | Plan A | \$30.00 | \$50.00 | \$0.00 |
| Dec-06 | Plan A | \$30.00 | \$50.00 | \$0.00 |
| | YTD | \$360.00 | \$400.00 | \$300.00 |

Assumptions

Plan A premium = \$30
 No low-income status

Premium reconciliation outcome for Example B: The withholdings for November and December were too much. The discrepancy was caught by a payment quality assurance check, thus triggering a stop on payment until the error could be resolved correctly. During the premium reconciliation the additional \$60 will be forwarded to Plan A and the beneficiary will receive a refund from SSA for the \$40 in excess withholding.

Overpayment of premiums policy

While this practice has been discouraged by CMS, in some cases Plan B (Example A) may have already direct billed for the April through June premiums and Plan A (Example B) may have direct billed for the November and December premiums. Once the appropriate plan level premium payment reconciliation has taken place the plan will be in an overpayment of premiums condition for that beneficiary. In other words, the member will be entitled to a refund for the direct billed amounts the plan has now been paid via premium withholdings. CMS urges plans to carefully review the refund rule at 42 CFR § 422.270¹.

Contact

Questions and comments concerning this memorandum may be directed to Mark Newsom at (410) 786-3198 or by e-mail at mark.newsom@cms.hhs.gov

¹ Note this reference to the Medicare Advantage rule applies to Part D premiums per section 1860D-13(c) of the Social Security Act. A similar provision for Cost Plans can be found at 42 CFR § 417.456.