

# Medicare Secondary Payer Payment Methodology

4/2/2025

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# Objective

After this session, you'll be able to

- Determine the beneficiary's responsibility
- Explain the MSP calculation process
- Properly bill MSP conditional claims
- Know the steps to take when MSP overpayments occur



# Agenda

- Medicare Secondary Payer
- Provider/Beneficiary Responsibility
- Medicare Secondary Payer Part B Payment Calculation
- Examples
- Conditional Medicare Payment Procedures
- Overpayments
- Resources and References

# Medicare Secondary Payer



# What Is Medicare Secondary Payer



- Medicare Secondary Payer (MSP)
- Term used when Medicare does not have primary payment responsibility
- Medicare is secondary to other insurance



- Congress Passed Legislation in 1980
- Medicare statute and regulations require all entities that bill Medicare for services rendered to Medicare beneficiaries must determine whether Medicare is primary or secondary payer



- MSP Provisions
- Protect Medicare Trust Fund by ensuring Medicare does not pay for services that certain health insurance or coverage is primarily responsible for paying

# Provider/Beneficiary Responsibility



# Provider Responsibility

- Ask Medicare patient if there's other primary insurance
  1. [Your Billing Responsibilities](#)
  2. [CMS Internet-Only-Manual Publication 100-05, Medicare Secondary Payer \(MSP\) Manual, MSP Model Admission Questions to Ask Medicare Beneficiaries 20.2.1](#)
  3. Submit MSP claims with appropriate [ANSI Specifications for 837P](#)
- Do not bill beneficiaries for amounts that primary payers apply toward
  - Deductibles
  - Coinsurances
  - Copayments
- MSP claims should be submitted to Medicare so that Medicare can determine secondary payment due and determine what beneficiary's responsibility is; if any

# MSP Patient Responsibility Formula

- Add amount primary payer paid to Medicare paid amount
- Subtract that amount from Medicare allowed charge for claim
- If total equals \$0 or negative
  - Beneficiary does not have any financial responsibility
- Beneficiary is responsible for
  - Noncovered charges, and/or
  - Any Medicare deductible and coinsurance amounts not satisfied by primary payer's payment
- Patient only responsible for any amount that provider did not receive up to Medicare allowed charge
- [CMS IOM Publication 100-05, Medicare Secondary Payer Manual, Chapter 5, Section 40.8.2](#)

# Claims Filing Time Limit

- Medicare timely filing rule – one calendar year from date of service
  - Claims failing timely filing are provider liable
- Claim Timely Filing Calculator
  - [NGS website](#) > Resources > Tools & Calculators > Claim Timely Filing Calculator



# Medicare Secondary Payer Part B Payment Calculation



# Obligated to Accept Payment in Full (OTAF)

- OTAF amount will indicate discount
- Beneficiary is not responsible for OTAF
- Calculate OTAF using primary explanation of benefits
- Take billed amount and minus any discounts or adjustments

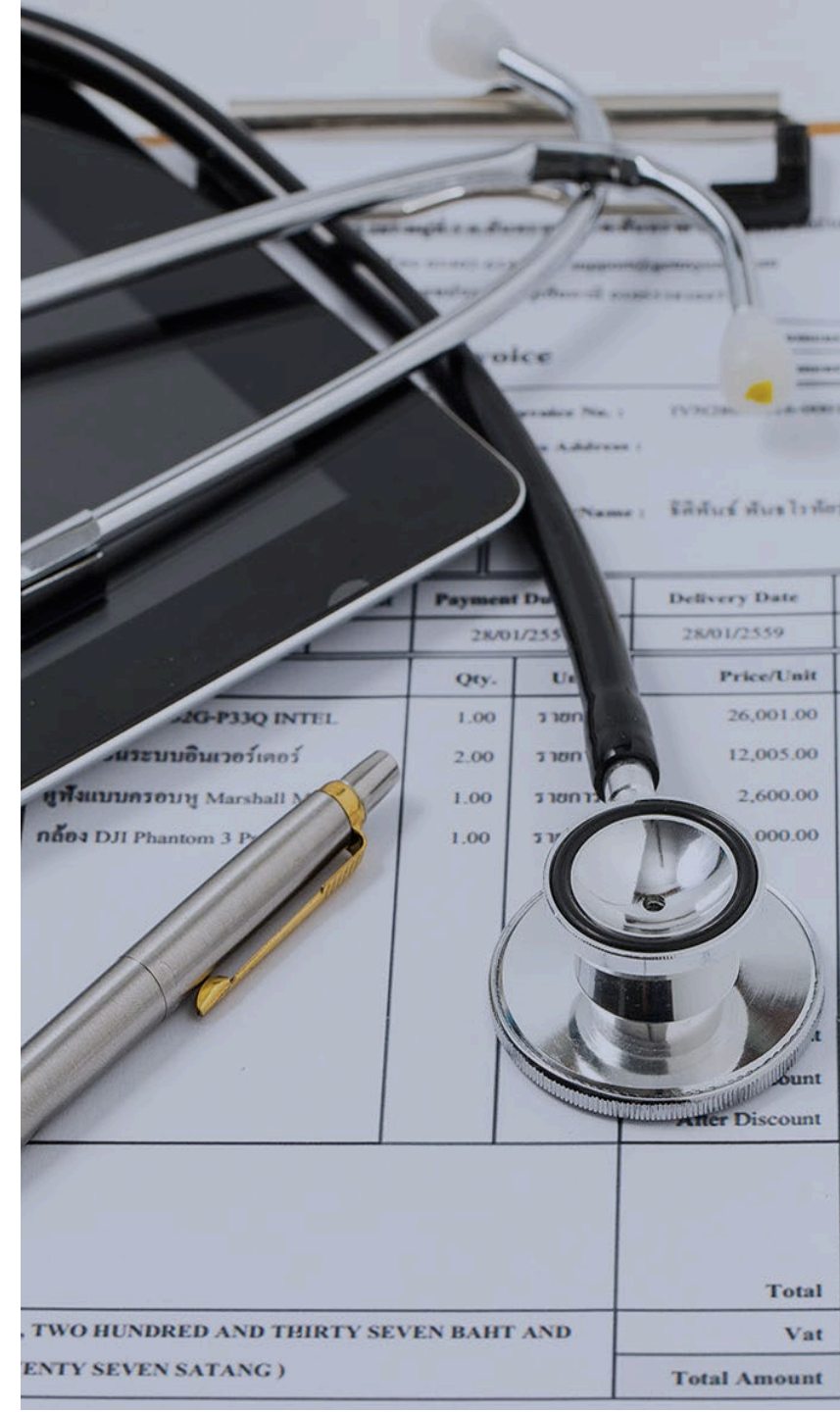
# MSP Payment Calculation

- Determine three possible payment amounts
  - Actual charge by physician/supplier or obligated to accept minus amount paid by primary
  - Usual Medicare payment determination
    - Fee schedule amount (minus any deductible 2024 = \$240, 2025 = \$257)
    - Multiply results by 80% (or other as appropriate)
  - Highest allowed amount minus amount paid by primary
    - MPFS or amount payable under Medicare (not including deductible or coinsurance)
    - Primary payer's allowed amount
- Medicare pays the lesser of the three amounts

# Examples

# Example One

- Physician's charges = \$175
- Primary payer's allowed charge = \$150
- Primary payer paid 80% of allowed charge = \$120
- Medicare fee schedule amount = \$125
- Patient's Part B deductible met





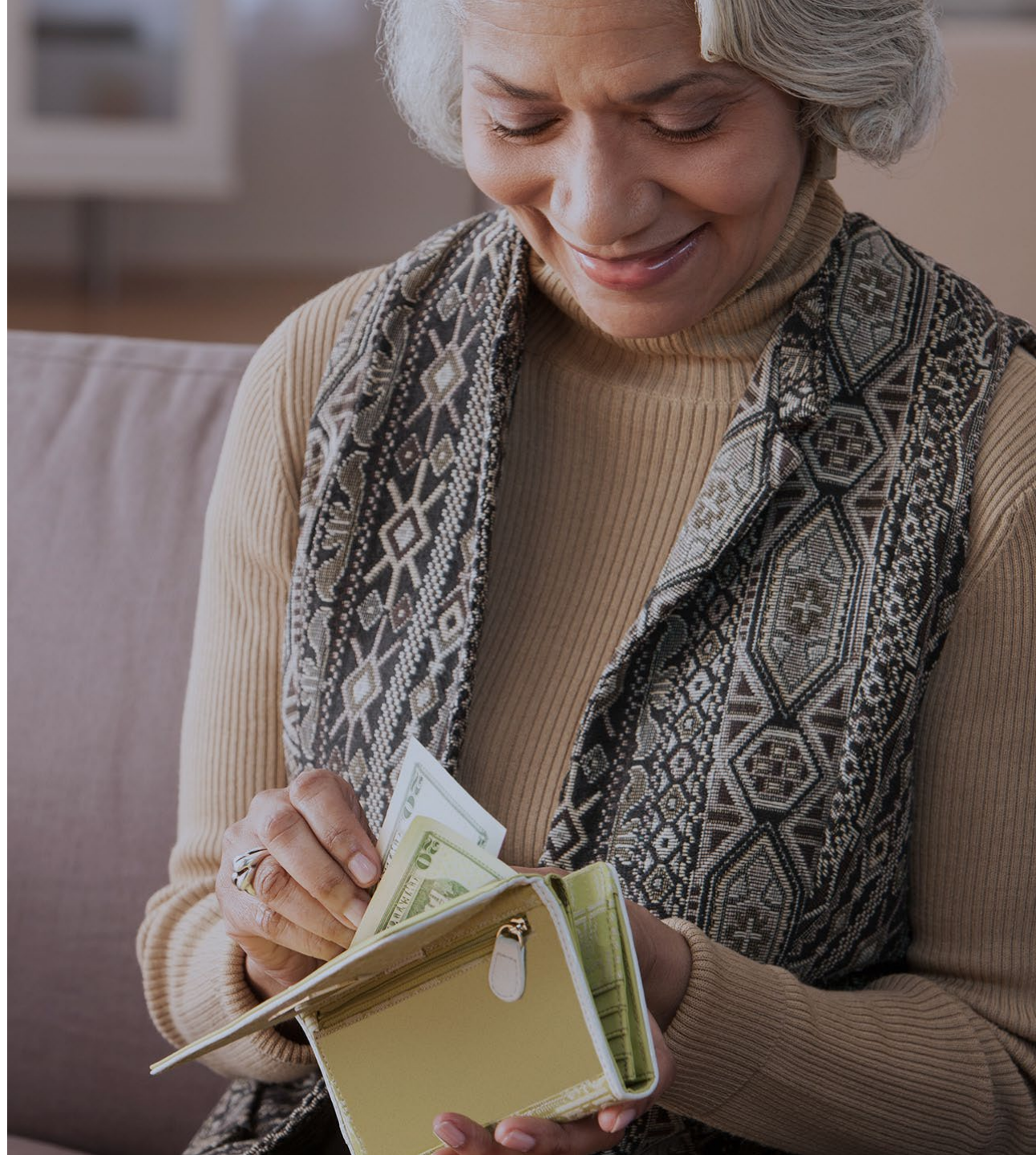
# Example One-MSP Payment

- Actual charge by physician minus primary payer's payment
  - $\$175 - \$120 = \$55$
- Usual Medicare payment determination
  - $80\% \times \$125 = \$100$
- Highest allowed amount minus amount paid by primary
  - $\$150 - \$120 = \$30$



# Example One-Patient Responsibility

- Primary payer paid amount plus Medicare paid amount
  - $\$120 + \$30 = \$150$
- Medicare allowed charge minus result from first step
  - $\$125 - \$150 = - \$25$





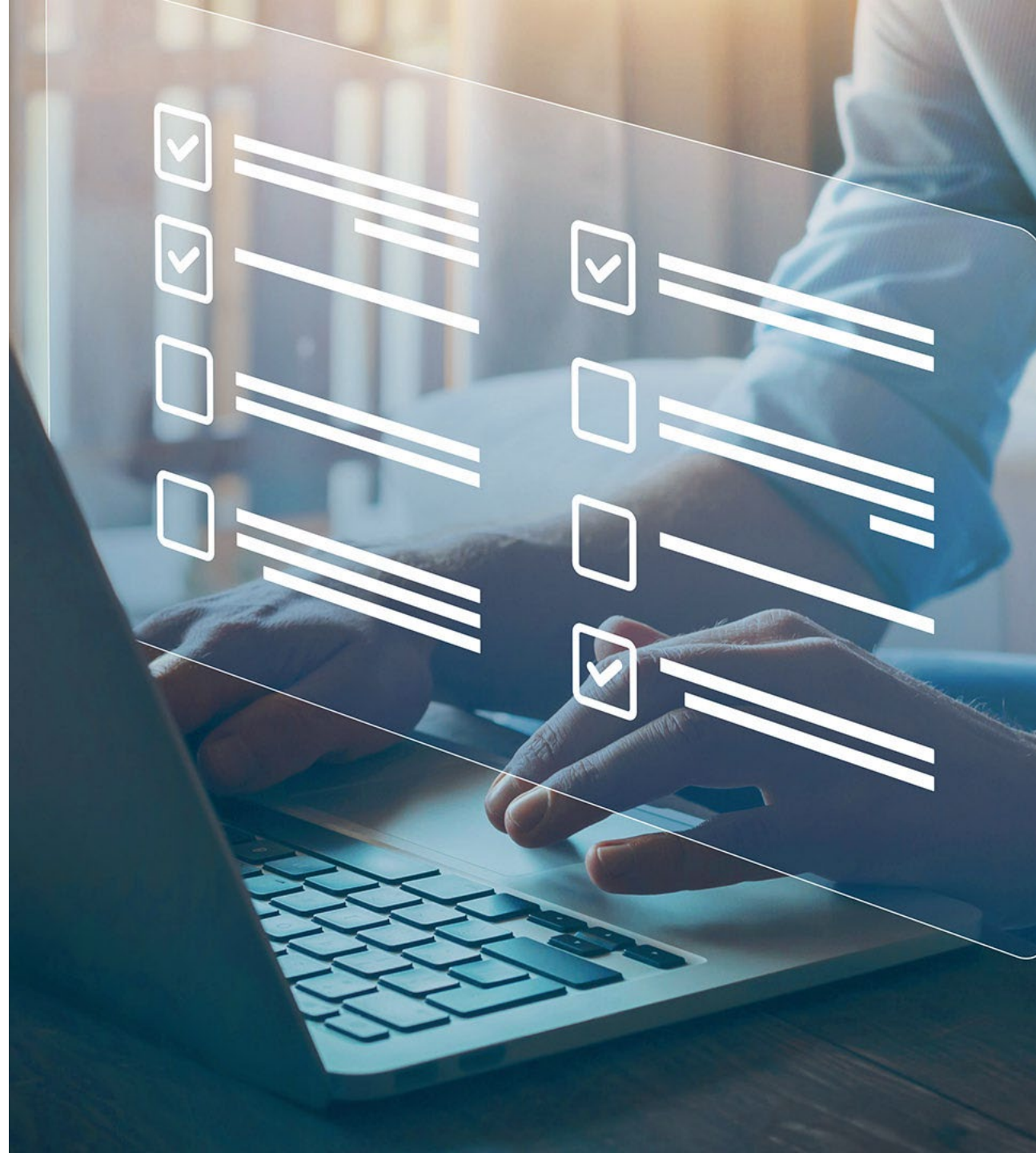
## Example Two

- Physician's charge = \$50
- Primary payer's allowed charge and amount paid = \$20
- Medicare fee schedule amount = \$40
- Patient's Part B deductible met



# Example Two-MSP Payment

- Actual charge by physician minus primary payer's payment
  - $\$50 - \$20 = \$30$
- Usual Medicare payment determination
  - $\$40 \times 80\% = \$32$
- Highest allowed amount minus amount paid by primary
  - $\$40 - \$20 = \$20$







## Example Two-Patient Responsibility

- Primary payer paid amount plus Medicare paid amount
  - $\$20 + \$20 = \$40$
- Medicare allowed charge minus result from first step
  - $\$40 - \$40 = \$0$

# Example Three

- Physician's charges = \$140
- Primary payer's allowed charge = \$120
- Primary payer paid 80% of allowed charge = \$96
- Medicare fee schedule amount = \$110
- Patient's Part B deductible due = \$100





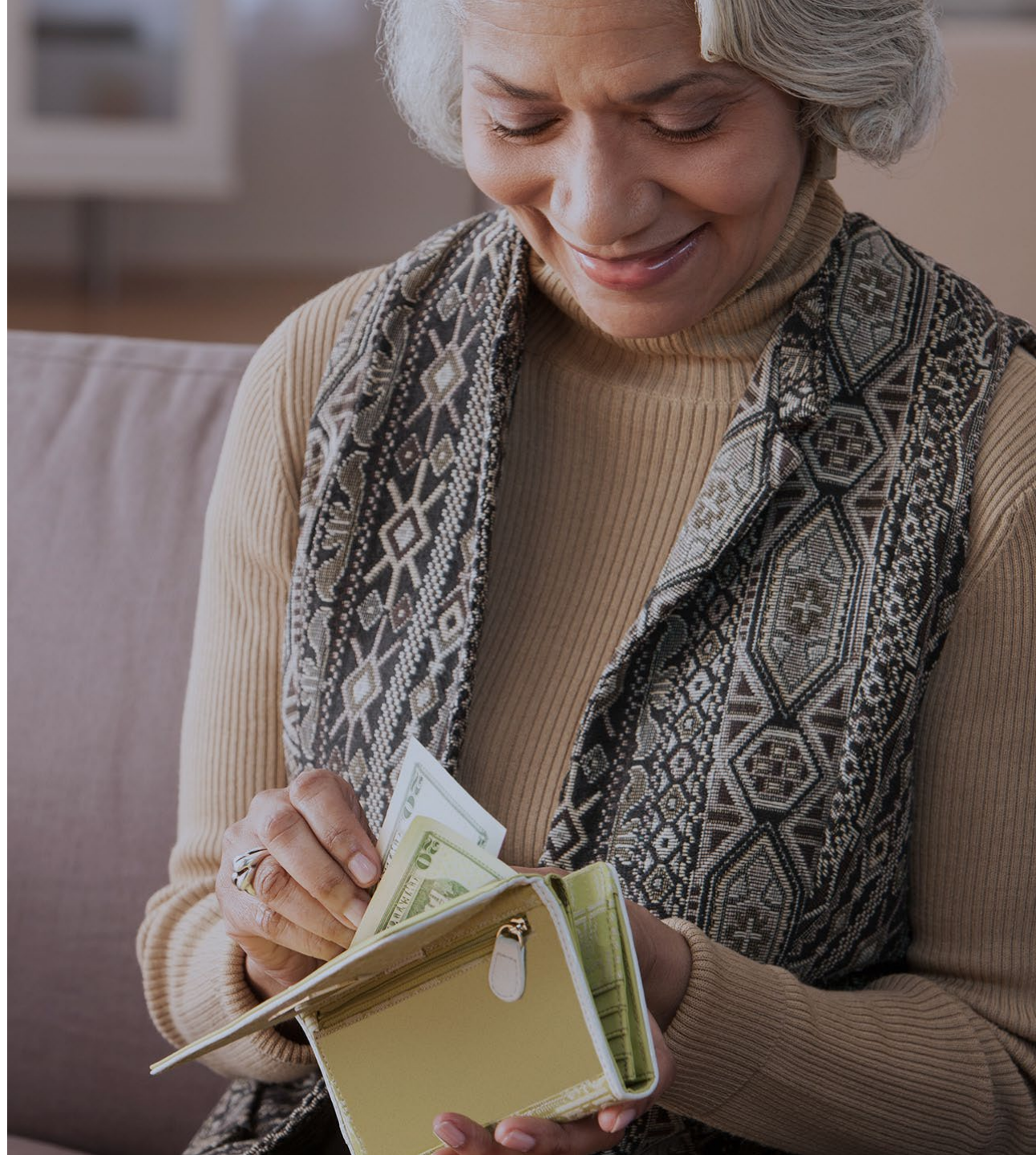
# Example Three-MSP Payment

1. Actual charge by physician minus primary payer's payment  
 $\$140 - \$96 = \$44$
2. Usual Medicare payment determination  
 $\$110 - \$100 = \$10 \times 80\% = \$8$
3. Highest allowed amount minus amount paid by primary  
 $\$120 - \$96 = \$24$



# Example Three– Patient Responsibility

- Primary payer paid amount plus Medicare paid amount
  - $\$96 + \$8 = \$104$
- Medicare allowed charge minus result from first step
  - $\$110 - \$104 = \$6$







## Example Four

- Physician's charges = \$250
- Primary payer's allowed charge = \$250
- Primary payer deductible = \$100
- Primary payer paid 80% of allowed charge after deductible = \$120
- Medicare fee schedule amount = \$200
- Patient's Part B deductible due = \$50

# Example Four–MSP Payment

- Actual charge by physician minus primary payer's payment
  - $\$250 - \$120 = \$130$
- Usual Medicare payment determination
  - $\$200 - \$50 = \$150 \times 80\% = \$120$
- Highest allowed amount minus amount paid by primary
  - $\$250 - \$120 = \$130$





# Example Five

- Physician's charges = \$360
- Primary payer's allowed charge = \$250
- Primary payer paid = \$200
- Medicare fee schedule amount = \$300
- Patient's Part B deductible due = \$100



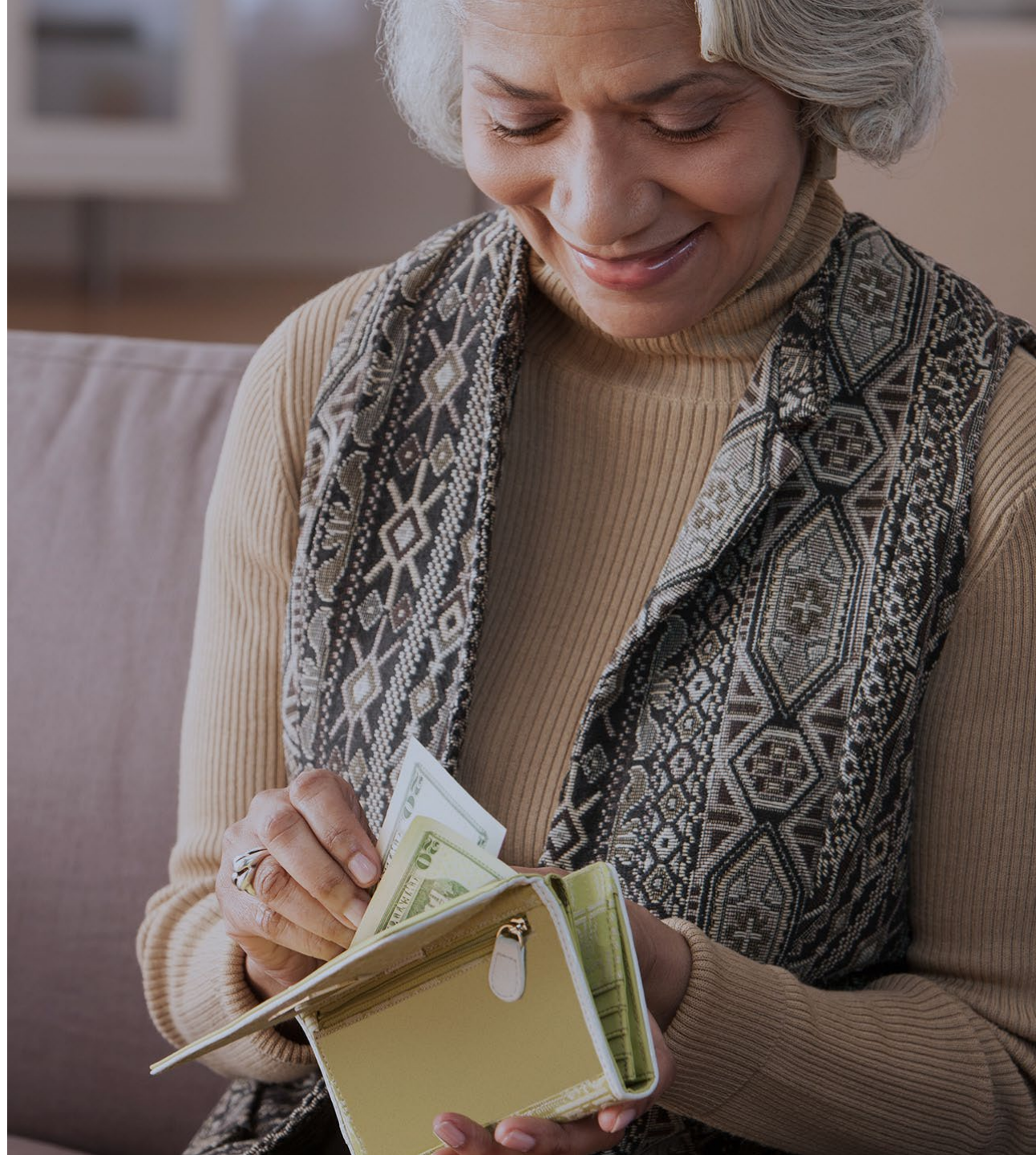
# Example Five-MSP Payment

- Actual charge by physician minus primary payer's payment
  - $\$360 - \$200 = \$160$
- Usual Medicare payment determination
  - $\$300 - \$100 = \$200 \times 80\% = \$160$
- Highest allowed amount minus amount paid by primary
  - $\$300 - \$200 = \$100$



# Example Five-Patient Responsibility

- Primary payer paid amount plus Medicare paid amount
  - $\$200 + \$100 = \$300$
- Medicare allowed charge minus result from first step
  - $\$300 - \$300 = \$0$
- Medicare Part B deductible considered met





## Example Six

- Physician's charges = \$175
- Primary payer's allowed charge = \$160
  - Physician has preferred physician arrangement with primary payer to accept 90% of allowed charge as OTAF = \$144
- Primary payer deductible = \$50
- Primary payer payment = \$94
- Medicare fee schedule amount = \$150
- Patient's Part B deductible met





## Example Six-Patient Responsibility

- Primary payer's payment plus Medicare paid amount
  - $\$94 + \$50 = \$144$
- OTAF amount minus result from first step
  - $\$144 - \$144 = \$0$

# Example Seven

- Physician's charges = \$175
  - \$100 for office visit
  - \$75 for EKG
- Primary payer's allowed charge = \$160
- Primary payer paid 80% of allowed charge = \$128
- Medicare fee schedule amount
  - \$75 for office visit
  - \$50 for EKG
- Patient's Part B deductible met





# Example Seven–MSP Payment

A: Individual Line Submitted Charge	\$100	\$75
Divide by Total Submitted Charge	\$175	\$175
Equals	0.57	0.43
B: Primary Total Allowed	\$160	\$160
X A	0.57	0.43
Equals	\$91.20	\$68.80
C: Primary Total Paid	\$128	\$128
X A	0.57	0.43
Equals	\$72.96	\$55.04

# Example Seven–MSP Payment Detail Line One and Detail Line Two

- Detailed line one
  - Actual charge by physician minus primary payer's payment
    - $\$100 - \$72.96 = \$27.04$
  - Usual Medicare payment determination
    - $\$75 \times 80\% = \$60$
  - Highest allowed amount minus amount paid by primary
    - $\$91.20 - \$72.96 = \$18.24$
- Detailed line two
  - Actual charge by physician minus primary payer's payment
    - $\$75 - \$55.04 = \$19.96$
  - Usual Medicare payment determination
    - $\$50 \times 80\% = \$40.00$
  - Highest allowed amount minus amount paid by primary
    - $\$68.80 - \$55.04 = \$13.76$



## Example Seven- Patient Responsibility

- Primary payer paid amount plus Medicare paid amount
  - $\$128 + \$32 (\$18.24 + \$13.76) = \$160$
- Medicare allowed charge minus result from first step
  - $\$125 - \$160 = - \$35$

# Effect of Failure to File Proper Claim

- Claim filed to GHP must
  - Be filed timely
  - Meet all other filing requirements of GHP, such as
    - Mandatory second opinion
    - Prior notification before seeking treatment
- When reduced payment received due to failure to file proper claim
  - MSP payment equals amount Medicare would have paid if proper claim was filed with GHP
    - Unless failure due to physical or mental incapacity of patient



# Primary Reduction Example

- Physician's charges = \$1,000
- Primary payer's allowed charge = \$1,000
  - Would pay 80% (\$800), but patient failed to receive second opinion as required so claim was denied
- Medicare fee schedule amount = \$800
- Patient's Part B deductible met



# Primary Reduction Example MSP Payment

- Actual charge by physician minus what primary payer would have paid on proper claim
  - $\$1000 - \$800 = \$200$
- Usual Medicare payment determination
  - $\$800 \times 80\% = \$640$
- Highest allowed amount minus amount that would have been paid by primary
  - $\$1000 - \$800 = \$200$





# Primary Reduction Example Beneficiary Responsibility

- Since claim was denied due to beneficiary's failure to file proper claim, beneficiary can be billed \$800 by physician
- Amount of primary payer payment reduction
- [CMS IOM Publication 100-05, Medicare Secondary Payer Manual, Chapter 5, Section 40.7.5](#)



# Conditional Medicare Payment Procedures

# Conditional Payments

- Medicare pays provider because payment has not been made or is not expected to be made by primary insurer
- Payments are made “on condition” that Medicare will be reimbursed if it is demonstrated that insurance is or was responsible for making primary payment for services rendered



# Conditional Payment Procedures

- Four circumstances when a conditional payment can be made
  - **One:** Beneficiary appeal/protest GHP denial of claim
  - **Two:** GHP denied claim because timely filing limit expired
  - **Three:** Provider failed to file proper claim due to mental/physical incapacity of beneficiary
  - **Four:** Claim sent to specific primary insurers and payment not made within promptly period
- Conditional payments are not required to be requested by providers
- When request approved by Medicare
  - No payment to provider from primary payer
  - Medicare makes payment made to provider
  - Medicare recoups from beneficiary or insurer any monies paid out if determined that primary was responsible for making payment



# Requesting Conditional Payment

- Requirements for Medicare beneficiaries
  - Not required to file claim with liability insurer or cooperate with provider in filing claim
  - Are required to cooperate in filing of no-fault claims
    - If refuses to cooperate in filing of no-fault claims, Medicare will not pay
- [CMS IOM Publication 100-05, Medicare Secondary Payer \(MSP\) Manual, Chapter 1 - General MSP Overview, Section 20.7](#)
- [Conditional Payment Information](#)

# Overpayments

# MSP Overpayments

- Multiple primary payments received?
  - If Medicare should be secondary
    - Medicare must be repaid within 60 days of receiving payment from primary plan
    - Repay difference between
      - Amount Medicare actually paid
      - Amount Medicare should have paid (if any)
  - [CMS IOM Publication 100-05, Medicare Secondary Payer Manual, Chapter 3, Section 10.4](#)





# MSP Automation Process

- MSP overpayments
  - Providers that are not on automatic immediate recoupment
    - Complete MSP Part B Voluntary Refund Form
    - Attach your check
  - Providers that are on automatic immediate recoupment
    - Complete Medicare Part B MSP Overpayment Request Form
    - Include EOB from primary plan
- [JK Medicare Part B MSP Overpayment Request Form](#)
- [J6 Medicare Part B MSP Overpayment Request Form](#)

# Resources and References

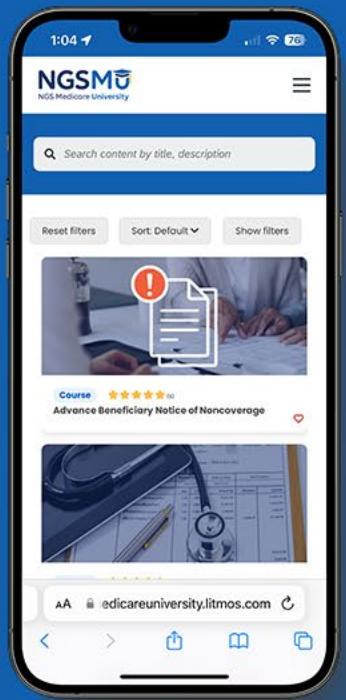
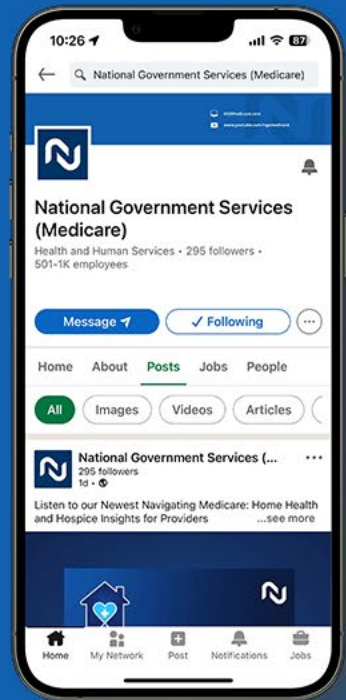
# NGS and CMS References and Resources

- [CMS website](#)
- [CMS Internet-Only Manuals \(IOMs\)](#)
  - Publication 100-05, *Medicare Secondary Payer Manual*, Chapters 1–8
  - Publication 100-02, *Medicare Benefit Policy Manual*, Chapter 16
- MLN<sup>®</sup> Booklet: [Medicare Secondary Payer](#)
  - Includes a chart of who pays first
- [NGS Website > Claims and Appeals > Medicare Secondary Payer \(MSP\)](#)




# Questions?

Thank you!



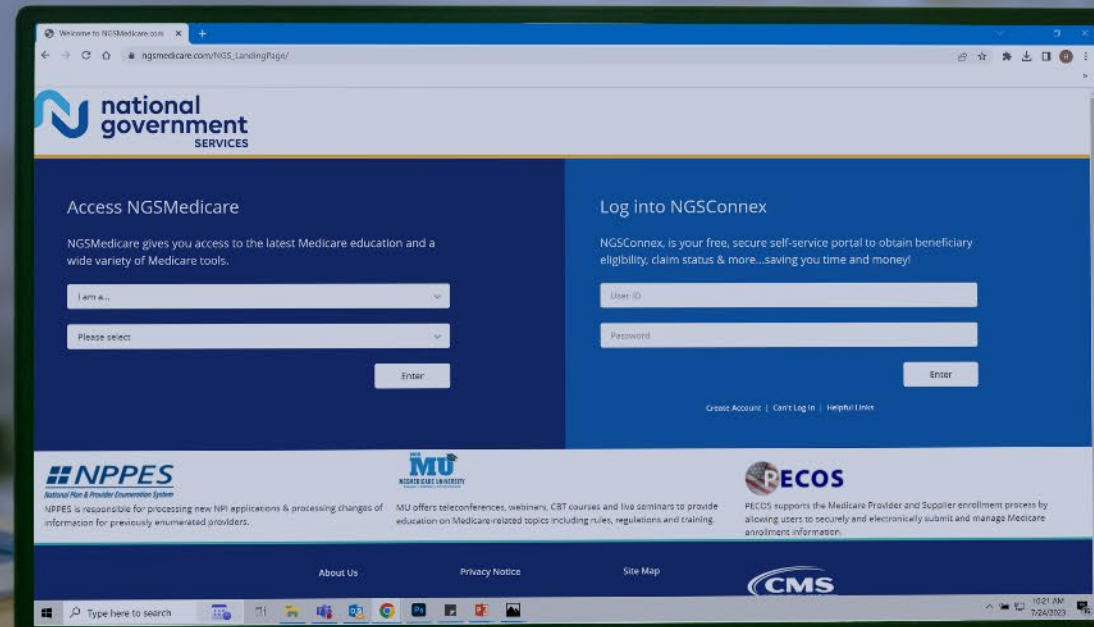
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