

# Medicare Secondary Payer Payment Methodology

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# Today's Presenters



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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

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Medicare Secondary Payer

Provider/Beneficiary Responsibility

Medicare Secondary Payer Part B Payment Calculation

Conditional Medicare Payment Procedures

Overpayments

References

# Medicare Secondary Payer



## Medicare Secondary Payer (MSP)

The term used when the Medicare program does not have primary payment responsibility



## Congress Passed Legislation in 1980

Medicare statute and regulations require that all entities that bill Medicare for items or services rendered to Medicare beneficiaries must determine whether Medicare is the primary payer for those items or services



## MSP Provisions

The MSP provisions protect the Medicare Trust Fund by ensuring that Medicare does not pay for items or 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
  - [Your Billing Responsibilities](#)
  - [CMS Internet-Only-Manual Publication 100-05, Medicare Secondary Payer \(MSP\) Manual, MSP Model Admission Questions to Ask Medicare Beneficiaries 20.2.1](#)
  - 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 if a secondary payment is due and determine what the beneficiary's responsibility is; if any



# Beneficiary 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](#)



# 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

# Reminder-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



# MSP Part B Payment Calculation



# Obligated to Accept Payment in Full

- 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 2023 = \$226, 2024 = \$240)
    - ✓ 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

# 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

- Actual charge by physician minus primary payer's payment
  - $\$140 - \$96 = \$44$
- Usual Medicare payment determination
  - $\$110 - \$100 = \$10 \times 80\% = \$8$
- 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 Four–Patient Responsibility



- Primary payer paid amount plus Medicare paid amount
  - $\$120 + \$120 = \$240$
- Medicare allowed charge minus result from first step
  - $\$200 - \$240 = - \$40$
- Remainder of patient's Medicare Part B deductible as well as primary payer's deductible considered met

# 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-MSP Payment

- OTAF amount minus primary payer's payment
  - $\$144 - \$94 = \$50$
- Usual Medicare payment determination
  - $\$150 \times 80\% = \$120$
- Highest allowed amount minus amount paid by primary
  - $\$160 - \$94 = \$66$



# 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

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





# Example Seven–MSP Payment Line One and Line Two

## 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
  - $\$91.20 - \$72.96 = \$18.24$

## 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
  - $\$125 - \$160 = - \$35$

# Proper Claim Filing

- 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, patient owes \$600
  - 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® Booklet: [Medicare Secondary Payer](#)
  - Includes a chart of who pays first
- [NGS Website > Claims and Appeals > Medicare Secondary Payer \(MSP\)](#)

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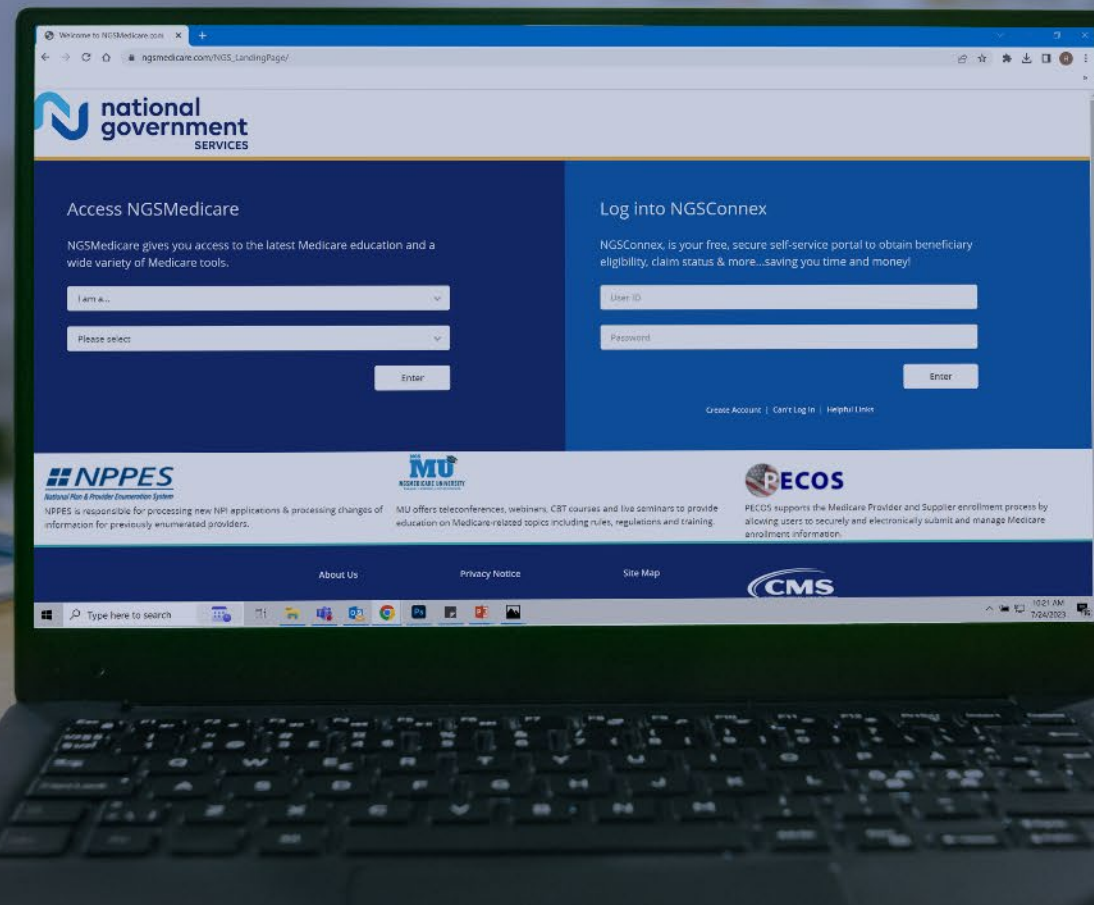


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