Benefits Insights

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A Primer for Employers on Medicare Coordination of Benefits

When a plan participant or beneficiary has Medicare and other health insurance, such as group health plan insurance, retiree coverage or Medicaid, there can often be confusion as to which insurance pays first on claims. Coordination of benefits (COB) rules, which are specified in plan documents or insurance policies, decide which insurance pays first. One plan is considered the primary payer that covers most expenses, while the secondary plan covers any remaining allowable expenses not covered by the primary plan. The COB allows health plans to provide health or prescription drug coverage to individuals receiving Medicare to determine their payment responsibilities. This helps ensure that the total amount paid by all insurance plans does not exceed the total costs of the health care expenses for Medicare-covered services and items.

This article provides a general overview of COB rules under Medicare.

How Does Medicare Work With Other Insurance?

There are many important facts to remember regarding how other insurance works with Medicare-covered services and items, such as the following:

- The primary payer pays first and up to its coverage limits.
- The secondary payer only pays if there are costs the primary payer doesn't cover.
- The secondary payer, which may be Medicare in certain situations, might not pay all the uncovered costs from the primary payer.
- If a group health plan or retiree coverage is the secondary payer, the individual may need to enroll in Medicare Part B before that insurance would pay.

If a Medicare-covered individual's other health insurance is the primary payer and fails to promptly pay a claim, typically within 120 days, that individual's doctor or service provider may bill Medicare. Medicare can make a conditional payment for the individual's claim, recovering any payments the primary payer should have paid at a later date.

What's a Conditional Payment?

A conditional payment is a payment Medicare makes for services for which another payer may be responsible. Medicare makes this payment, so the plan participant or beneficiary won't have to pay the claim. The payment is conditional because it must be repaid to Medicare if the Medicare-covered individual receives a settlement, judgment, award or other payment later.

Who Pays First?

When an individual has Medicare and other insurance, there are rules for whether Medicare or the other insurance is the primary payer for Medicare-covered services and items.

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Medicare is typically the primary payer for Medicare-covered services and items in the following circumstances:

- An individual is covered by only Medicare and Medicaid.
- An individual covered by Medicare refuses group health coverage.
- Medical services or supplies are not covered under a group health plan but are covered under Medicare.
- A Medicare-covered individual is covered by a group health plan but has exhausted their coverage under the group health plan.
- A Medicare-covered individual is 65 or older and covered by a group health plan (because the individual or their spouse is still working) offered by an employer with fewer than 20 employees.
- A Medicare-covered individual is 65 or older and covered by an employer group health plan after retirement.
- A Medicare-covered individual is 65 or older (or disabled) and covered by Medicare and the Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage.
- A Medicare-covered individual is disabled and covered by a large group health plan offered by an employer with fewer than 100 employees.
- A Medicare-covered individual has end-stage renal disease and is enrolled in a group health plan or COBRA (after 30 months of eligibility or entitlement to Medicare).
- A Medicare-covered individual has only Medicare and TRICARE coverage unless the individual is on active duty and receives services and items from a military hospital, clinic or other federal health care provider.

For a complete list of situations where Medicare is the primary payer, visit Medicare.gov or review the Centers for Medicare and Medicaid Services' guide, Medicare & Other Health Benefits: Your Guide to Who Pays First.

How Does Medicare Know if an Individual Has Other Coverage?

COB permits an individual's Medicare eligibility information to be shared with other payers and sends Medicare-paid claims to secondary payers for payment. The Benefits Coordination and Recovery Center (BCRC) does the following on Medicare's behalf:

- Collect and manage information on other types of coverage an individual with Medicare may have.
- Determine whether an individual's other coverage pays before or after Medicare.
- Pursue repayment when Medicare makes a conditional payment.

Medicare doesn't automatically know if a Medicare-covered individual has other health insurance; however, insurers are required to notify Medicare when they're responsible for paying first for Medicare-covered services and items. In some instances, the individual's health care provider, employer or insurer may ask them about their current coverage so they can report that information to Medicare. Additionally, insurers must report coverage changes to Medicare.

Summary

Understanding COB rules is vital to ensuring that a Medicare-covered individual's claims are paid correctly. While COB rules can be complex, they can help Medicare plan participants and beneficiaries make the best use of their health care coverage.

For more health care resources, contact Sullivan Benefits today.