Coordination of Benefits

Coordination of benefits rules determine which health coverage pays first, second and even third. The different coverages are referred to as “payers.” The primary payer, is which insurer pays health costs to a provider first. Then, depending on the scenario, the claim will be forwarded to the second payer for payment or to the beneficiary so that he or she can file the claim with the second payer. The primary payer has to pay as much of the claim as the benefits allows, and then the second payer will be responsible to pay any remaining costs, up to the maximum allowed by the plan’s benefits. However, there is no chronological order in which these must be paid. Even the third payer could be the first to pay in real time, but will still be responsible only for its portion. Medicare’s coordination of benefits process is designed to determine each plan’s responsibility and to coordinate the payment process.

Medicare accomplishes its coordination of benefits objectives by:

* Ensuring claims are paid correctly by identifying the health benefits available to a Medicare beneficiary, coordinating the payment process and ensuring that the primary payer, whether Medicare or other insurance, pays first (though this does not always happen)
* Sharing Medicare eligibility data with other payers, and transmitting Medicare-paid claims to supplemental insurers for secondary payment. (Note: An agreement must be in place between the Benefits Coordination & Recovery Center (BCRC), and private insurance companies, for the BCRC to automatically crossover claims, commonly referred to as crossover or Medicare crossover. In the absence of an agreement, the Medicare beneficiary is required to coordinate secondary, or supplemental payment of benefits with any other insurers he or she may have, in addition to Medicare)
* Ensuring that the amount paid by plans in dual coverage situations does not exceed 100% of the total claim, to avoid duplicate payments
* Electronic Funds Transfer (EFT) information for initial plan payment (it can later be changed to draw direct from Social Security — usually takes around 90 days after enrollment
* Accommodating all of the coordination needs of the Part D benefit