



PROVIDER QUICK TIPS

#161

Medicare Sequestration Reductions on Fee-for-Service (FFS) Claims Processing and Related Clarification of Medical Assistance (MA) 539 Form (11/13) Usage

On April 1, 2013, The Centers for Medicare and Medicaid Services (CMS) began to impose a mandatory two percent payment reduction in the Medicare FFS Program – also known as “Sequestration.” This Medicare reduction will remain in place until Congress takes action to eliminate it. This Quick Tip provides direction when billing Medicare FFS crossover claims, including Durable Medical Equipment (DME) Prosthetics, Orthotics, and Supplies (DMEPOS), with dates-of-service or dates-of-discharge on or after April 1, 2013.

Medicare applies the Sequestration claims payment adjustment to claims after coinsurance, applicable deductible, and any Medicare secondary payment adjustments have been determined and applied. In recognition of this Medicare reduction, the Department of Public Welfare (the department) is taking steps to implement system changes to account for the 2 percent Sequestration reduction on all claims media (i.e. electronic, online, and paper) as part of the department’s payment determination. After system changes are implemented, the department will systematically adjust paid claims subject to the Sequestration Reduction retroactively to April 1, 2013, to appropriately correct claim pricing with respect to the Medicare reduction amount for any claims not reflecting the 2 percent reduction.

The Sequestration reductions are reflected on the Medicare EOMB as Claim Adjustment Reason Code (CARC) number 223 or 253. These CARC’s are to be consistently reported on all electronic and internet claims.

Until the department implements the necessary system changes, paper billing will be the only avenue available to providers to reflect the Sequestration Reduction upfront. Claims failing to properly account for the Sequestration Reduction via paper billing will be subject to the department’s eventual efforts to properly adjust applicable crossover claims. These claim adjustments may result in changes to former payment amounts.

Providers submitting a paper CMS-1500 form are advised to take the steps described below to accurately report the Sequestration Reduction. Since the CMS1500 does not provide a field for indicating a CARC, the department has modified the MA 539 form (the CMS-1500 Medicare Attachment) to allow providers to report the Sequestration Reduction amount for the service or item indicated on the claim line.

When completing the MA 539, if the EOMB contains CARC 223 or 253 for the claim line, providers are to:

- 1) Add the amount associated with CARC 223 or 253 to the Net Medicare Payment amount reported on the EOMB for the subject claim line, and
- 2) Report this sum on the MA 539, for the corresponding claim line, under the field labeled **‘Medicare Paid (incl. Medicare Reduction(s)) Amount’**.



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When Medicare Part B has applied a Sequestration Reduction to the Medicare payment, please use the following formula to calculate the **Medicare Paid** (incl. Medicare Reduction(s)) **Amount**:

- Net Medicare Paid + Sequestration Payment Reduction (CARC 223 OR CARC 253) = Medicare Paid (incl. Medicare Reduction(s)) Amount.

For example:

The Net Medicare Payment for the claim line is \$104.46 and the Medicare Payment Reduction was \$2.13.

- **Add \$104.46 to \$2.13, which is \$106.59**
- \$104.46 represents Medicare's Payment for the service or item and \$2.13 represents the Medicare Payment Reduction related to the service or item
- Enter the Sum, which is \$106.59, as '**Medicare Paid** (incl. Medicare Reduction(s)) **Amount**'

Illustration from MA 539 form

| Claim Line | Date of Service | Procedure Code | Reason Code(s) | Medicare Deductible | Medicare Coinsurance/ Copayment | Medicare Allowed Amount | Medicare Paid (incl. Medicare Reduction(s)) Amount |
|------------|-----------------|----------------|----------------|---------------------|---------------------------------|-------------------------|--|
| #1 | 4/9/2013 | 99214 | CO-223 | \$0 | \$26.65 | \$133.24 | \$106.59 |

Please **do not enter** the expression '**\$104.46 + \$2.13**' under '**Medicare Paid** (incl. Medicare Reduction(s)) **Amount**'. As of the publishing of this Quick Tip, the department will deny claim lines on Edit 443 (MEDICARE PAID IS REQUIRED), in instances when the MA 539 contains an expression like that of '\$104.46 + \$2.13' versus the sum of the two amounts.

Check the department's website often at: www.dpw.state.pa.us/
Thank you for your service to our Medical Assistance recipients.
We value your participation.



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