

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Consumer Information and Insurance Oversight
200 Independence Avenue SW
Washington, DC 20201



Date: November 17, 2014

Subject: Re-adjudication of claims subject to cost-sharing reductions

CMS expects issuers to re-adjudicate claims in a manner resulting in cost-sharing reduction calculations approximating the amounts that would result if the claims were re-adjudicated in the order in which the claims arose. Qualified health plan (QHP) issuers must re-adjudicate claims involving cost-sharing reductions under two circumstances: first, to correct errors where enrollees were not provided sufficient cost-sharing reductions, and second, at the end of the year, to reconcile claims paid on behalf of enrollees against advance payments from the Federal Government. First, under 45 CFR 156.410(c)-(d), governing improper cost-sharing reductions and improper assignment to a plan variation, QHP issuers are required to re-adjudicate claims under the correct plan variation and refund the enrollee (or provider if applicable), when cost-sharing reductions provided are less generous than the amount for which the enrollee qualified.¹ Second, those issuers choosing the standard methodology under 45 CFR 156.430(c)(1)-(c)(2), for cost-sharing reductions reconciliation, are required to submit to HHS the amount of cost-sharing reductions provided to enrollees by comparing what enrollees paid against what enrollees would have paid under a standard plan without cost sharing. In effect, issuers choosing the standard methodology are required to re-adjudicate claims as if the enrollee had been in the standard plan throughout the benefit year.²

CMS understands that QHP issuers that contract with third-party pharmaceutical benefits managers (PBMs) must coordinate re-adjudication through two separate data systems, making claims re-adjudication in their original order unwieldy and expensive. Some issuers would therefore prefer to re-adjudicate medical and pharmaceutical claims separately to determine refunds of cost sharing that should have been provided to enrollees, and total amounts of cost-sharing reductions provided for the purpose of annual reconciliation.

CMS recognizes the difficulties in coordinating re-adjudication across the issuer's and its PBM's systems, but wishes to ensure consistent and accurate results when separate sets of claims are re-adjudicated outside their original order. Therefore, to ensure accuracy and consistency, an issuer that uses a third-party PBM for pharmaceutical claims may elect to re-adjudicate claims by first setting all accumulators to zero, and then reprocessing the medical claims in temporal order followed by the pharmaceutical claims in temporal order. Such an issuer may not reprocess claims in any other order (other than their original order); an issuer that does not use a third-party

¹Under 45 CFR 156.410(c) issuers must provide a refund to the provider only if the provider paid the cost sharing, and, if the enrollee paid it, the issuer must refund or apply all excess cost sharing paid by the enrollee to the enrollee's portion of the premium when cost-sharing reductions provided are less generous than those for which the enrollee qualified.

² No such re-adjudication process is required under the simplified methodology for cost-sharing reductions reconciliation; therefore this guidance does not apply to the simplified method.

PBM must first set accumulators to zero and then reprocess claims in their original order. The above guidance also applies with respect to any other third-party administrator of a subset of an issuer's benefits, such as a third-party administrator of substance use disorder benefits.

Consistent with our expectation that the cost-sharing reductions reconciliation re-adjudication process under the standard methodology approximate the experience of an enrollee in the standard plan without cost-sharing reductions, and to ensure consistency for all enrollees from the claims re-adjudication process, we also clarify that when re-adjudicating claims under 45 CFR 156.430(c)(2), issuers must re-adjudicate all of the enrollee's claims against a standard plan's total allowed costs and then determine the amount of cost sharing for EHB, rather than re-adjudicate cost sharing solely for EHB claims.

For the re-adjudication of cost-sharing reductions in cases of improper plan assignment or improper cost sharing provided, this guidance is effective Dec. 31, 2014, or as soon as possible thereafter so as not to interfere with QHP requirements under 45 CFR 156.410 to provide refunds in such circumstances within 45 days.

For re-adjudication of claims for the purpose of cost-sharing reduction reconciliation, this guidance is effective for all claims submissions, beginning with those submitted for the 2014 benefit year.