

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Beneficiary Choices  
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## **CENTER FOR BENEFICIARY CHOICES**

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**DATE:** September 7, 2007

**TO:** All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans,  
PACE Organizations and Demonstrations

**FROM:** Thomas E. Hutchinson  
Director, Medicare Plan Payment Group

**SUBJECT: Direct billing when a beneficiary is in premium withholding status**

### **Premium withholding discrepancies that may result in double billing**

In the July 23, 2007 memorandum "Update on the 2006 Premium Withholding Reconciliation (PWR) including file layouts for new ad-hoc member level report" CMS described scenarios where 2006 withheld premiums that were not paid to the correct plan would be reconciled. CMS has been made aware of cases where plans have direct billed their members for months when the forwarded withholding was less than expected.

### **Example A. Premium withholding does not switch with an enrollment change**

	<b>Enrollment</b>	<b>Expected withholding</b>	<b>Actual withholding</b>	<b>Plan A payment</b>	<b>Plan B payment</b>
Jan-06	Plan A	\$20.00	\$20.00	\$20.00	\$0.00
Feb-06	Plan A	\$20.00	\$20.00	\$20.00	\$0.00
Mar-06	Plan A	\$20.00	\$20.00	\$20.00	\$0.00
Apr-06	Plan B	\$20.00	\$20.00	\$20.00	\$0.00
May-06	Plan B	\$20.00	\$20.00	\$20.00	\$0.00
Jun-06	Plan B	\$20.00	\$20.00	\$20.00	\$0.00
Jul-06	Plan B	\$20.00	\$20.00	\$0.00	\$20.00
Aug-06	Plan B	\$20.00	\$20.00	\$0.00	\$20.00
Sep-06	Plan B	\$20.00	\$20.00	\$0.00	\$20.00
Oct-06	Plan B	\$20.00	\$20.00	\$0.00	\$20.00
Nov-06	Plan B	\$20.00	\$20.00	\$0.00	\$20.00
Dec-06	Plan B	\$20.00	\$20.00	\$0.00	\$20.00
	<b>YTD</b>	<b>\$240.00</b>	<b>\$240.00</b>	<b>\$120.00</b>	<b>\$120.00</b>

#### **Assumptions**

Plan A premium = \$20

Plan B premium = \$20

No low-income status

**Premium reconciliation outcome for Example A:** Plan A should have received \$60.00 total for the premium months January through March. Instead it received \$120.00 for January through June. Plan B received payments totaling \$120.00 on withholdings for July through December. Plan B should have also received an additional \$60.00 for the withholdings from April through June. The reconciliation will make the proper plan payment adjustment taking back \$60.00 from Plan A and sending it to Plan B.

**Example B. Wrong amount withheld triggering a stop on payment**

	<b>Enrollment</b>	<b>Expected withholding</b>	<b>Actual withholding</b>	<b>Plan A payment</b>
Jan-06	Plan A	\$30.00	\$30.00	\$30.00
Feb-06	Plan A	\$30.00	\$30.00	\$30.00
Mar-06	Plan A	\$30.00	\$30.00	\$30.00
Apr-06	Plan A	\$30.00	\$30.00	\$30.00
May-06	Plan A	\$30.00	\$30.00	\$30.00
Jun-06	Plan A	\$30.00	\$30.00	\$30.00
Jul-06	Plan A	\$30.00	\$30.00	\$30.00
Aug-06	Plan A	\$30.00	\$30.00	\$30.00
Sep-06	Plan A	\$30.00	\$30.00	\$30.00
Oct-06	Plan A	\$30.00	\$30.00	\$30.00
Nov-06	Plan A	\$30.00	\$50.00	\$0.00
Dec-06	Plan A	\$30.00	\$50.00	\$0.00
	<b>YTD</b>	<b>\$360.00</b>	<b>\$400.00</b>	<b>\$300.00</b>

**Assumptions**

Plan A premium = \$30

No low-income status

**Premium reconciliation outcome for Example B:** The withholdings for November and December were too much. The discrepancy was caught by a payment quality assurance check, thus triggering a stop on payment until the error could be resolved correctly. During the premium reconciliation the additional \$60 will be forwarded to Plan A and the beneficiary will receive a refund from SSA for the \$40 in excess withholding.

**Overpayment of premiums policy**

While this practice has been discouraged by CMS, in some cases Plan B (Example A) may have already direct billed for the April through June premiums and Plan A (Example B) may have direct billed for the November and December premiums. Once the appropriate plan level premium payment reconciliation has taken place the plan will be in an overpayment of premiums condition for that beneficiary. In other words, the member will be entitled to a refund for the direct billed amounts the plan has now been paid via premium withholdings. CMS urges plans to carefully review the refund rule at 42 CFR § 422.270<sup>1</sup>.

<sup>1</sup> Note this reference to the Medicare Advantage rule applies to Part D premiums per section 1860D-13(c) of the Social Security Act. A similar provision for Cost Plans can be found at 42 CFR § 417.456.

**Contact**

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