

---

---

# FEHB Program Carrier Letter

## Fee-for-Service Carriers

U.S. Office of Personnel Management  
Insurance Services Program

---

Letter No. 2007-05

Date: February 28, 2007

Fee-for-service [3 ]    Experience-rated HMO [ n/a ]    Community-rated HMO [ n/a ]

---

---

### **SUBJECT: Medicare Part B Adjustments to the Omnibus Budget Reconciliation Act of 1990 (OBRA '90) Pricing**

This carrier letter provides further guidance to FEHBP carriers in processing claims in accordance with the Omnibus Budget Reconciliation Act of 1990 (OBRA '90). OBRA '90 mandates the application of Medicare Part A limits to inpatient services furnished to retired FEHBP enrollees and their spouses/survivors age 65 and over who were never eligible/enrolled in Medicare Part A. Carrier Letter 2007-06 provides instructions for using the Centers for Medicare and Medicaid Services (CMS) IPPS Pricer program. This carrier letter discusses how to apply Medicare Part B payments to claims that have been priced by the CMS IPPS Pricer.

These instructions refer only to claims for patients enrolled in the FEHBP and Medicare Part B but who have never had Medicare Part A. Certain non-physician medical and other health services (e.g. diagnostic x-ray tests, lab and pathology tests, surgical dressings, physical therapy, etc.), when provided by a facility to a patient admitted in the hospital, are payable by Medicare Part B. These claims must be submitted to Medicare for the Medicare Part B services to be considered before the FEHBP carrier can process the claims. This letter also illustrates the sequence in which the FEHBP carrier should apply the Medicare Part B payment and other adjustments.

After the Medicare Part B carrier processes the claim, the FEHBP carrier must price the entire claim using the IPPS Pricer program. The program will calculate the Medicare DRG equivalent amount. The FEHBP carrier will then apply its benefit structure for inpatient hospital stays. The hospital should only receive the Medicare DRG equivalent amount comprised of the carrier payment, patient share and the Medicare Part B payment. Each carrier should choose from the following methods, as applicable:

A. The first method is used when the carrier’s benefit structure requires that the patient’s share of a claim (e.g. per admission copayments, coinsurance percentages, etc.) be calculated based on separate room & board and other hospital service charges (also called hospital miscellaneous or ancillary charges). For these claims, the carrier must first split the Medicare DRG equivalent amount into room & board and the hospital miscellaneous amount. Carrier Letter 93-22 dated June 15, 1993, stated that the split should be 30% for room & board and 70% for hospital miscellaneous (see Table 1, [line 2](#)). The carrier must then deduct the Medicare Part B payment from the hospital miscellaneous amount (see Table 1, [line 3](#)) before applying the per admission copayment and/or calendar year deductible (see Table 1, [line 4](#)), coinsurance (see Table 1, [line 6](#)), and pre-certification penalty (see Table 1, [line 7](#)). The per admission copayment and/or calendar year deductible, coinsurance, and pre-certification penalty may not apply in all situations.

1. Determine the Medicare DRG equivalent amount by using the CMS Pricer program.		\$8,532.18	
2. Break the claim into two lines by allocating: a. 30% for room & board (R&B) (30% x \$8,532.18); and b. 70% for Hospital Miscellaneous (Hospital Misc.) (70% x \$8,532.18).	R & B	Hosp Misc	Patient Share
	\$2,559.65	\$5,972.53	
3. Subtract Medicare Part B payment.		<1,000.00>	
4. Apply per admission copayment <sup>1</sup>		<100.00>	\$100.00
5. Hospital miscellaneous amount after Medicare Part B and per admission copayment (\$5,972.53 – \$1,000 – \$100).		\$4,872.53	
6. Apply coinsurance to hospital miscellaneous amount <sup>2</sup> a. 90% - Plan (\$4,872.53 x 90%) b. 10% - patient (\$4,872.53 x 10%)		\$4,385.28	\$487.25
7. Apply pre-certification penalty, if applicable		<500.00>	\$500.00
8. Amounts after applying all adjustments	\$2,559.65	\$3,885.28	
9. <b>Carrier Payment</b> for room & board plus Hospital Miscellaneous amount (\$2,559.65 + \$3,885.28)		\$6,444.93	
10. <b>Patient Share</b> (\$100 + \$487.25 + \$500)			\$1,087.25

**Table 1:** Sample Claim with per admission copayment, coinsurance for hospital miscellaneous amount and pre-certification penalty.

<sup>1</sup> Based on the benefit structure of the health carrier, a per admission deductible/copayment could be applied to the R&B amount instead of the Hospital Miscellaneous amount.

<sup>2</sup> Based on the carrier’s benefit structure, there could also be a coinsurance applicable to the R&B amount.

B. The second method should be used when the carrier's benefits for room & board are calculated the same as the benefits for other hospital services and supplies. For these claims, the carrier should first subtract the Medicare Part B payment from the Medicare DRG equivalent amount (see Table 2, line 2). The per admission copayment and/or calendar year deductible should then be applied to this reduced amount (Table 2, [line 4](#)). The resulting value is the amount (Table 2, [line 5](#)) used to calculate the coinsurance (Table 2, [line 6](#)). The final adjustment is to apply the pre-certification penalty (Table 2, [line 7](#)), if applicable. The result is the carrier payment (see Table 2, [line 8](#)) and patient share (see Table 2, [line 9](#)) for the claim.

	<b>Claim Calculation</b>	
1. Determine the Medicare DRG equivalent amount by using the CMS Pricer programs.	\$8,532.18	
2. Subtract the Medicare Part B payment	<1,000.00>	
3. Calculate the CMS Pricer amount minus the Medicare Part B payment amount (\$8,532.18 - \$1,000).	\$7,532.18	
		<b>Patient Share</b>
4. Apply the per admission copayment, if applicable	<300.00>	\$ 300.00
5. Amount Payable after per admission copayment (\$7,532.18 – \$300).	\$7,232.18	
6. Apply coinsurance, if applicable a. 80% - Plan (\$7,232.18 x 80%) b. 20% - patient (\$7,232.18 x 20%)	\$5,785.74	\$1,446.44
7. Apply pre-certification penalty, if applicable	<500.00>	\$ 500.00
<b>8. Carrier Payment</b>	\$5,285.74	
<b>9. Patient Share</b> (\$300 + \$1,446.44 + \$500)		\$2,246.44

Table 2: Sample Claim with a per admission copayment, coinsurance and pre-certification penalty

These methods illustrate the most common benefits offered by FEHBP carriers. However, there are likely to be situations that deviate from these two examples. In this event, additional questions on how to price OBRA '90 claims that include Medicare Part B payments should be directed to Lewis Parker, Chief, Information Systems Audits Group on 202-606-4738 or at [lewis.parker@opm.gov](mailto:lewis.parker@opm.gov).

Sincerely,

Robert F. Danbeck  
Associate Director  
for Human Resources Products and Services