



4XX NUMBER - COORDINATION OF BENEFITS/THIRD PARTY LIABILITY

Effective Date: 10/1/2013

Revision Date:

Staff responsible for policy: DHCM Operations

I. Purpose

This policy applies to Acute Care, Behavioral Health Services (BHS), Arizona Long Term Care System Elderly and Physically Disabled (ALTCS/EPD), Children's Rehabilitation Services (CRS), Comprehensive Medical and Dental Program (CMDP) and ALTCS Division of Developmental Disabilities (DDD) Contractors and establishes requirements to be followed for the coordination of benefit activities for members who have first or third party coverage other than Medicare.

II. Definitions

Cost Avoidance

The process of identifying and utilizing all sources of first or third-party benefits before services are rendered by the Contractor or before payment is made by the Contractor. This assumes that the Contractor can avoid costs by not paying until the first or third party has paid what it covers first, or having the first or third party render the service so that the Contractor is only liable for coinsurance and/or deductibles.

Copayment

A monetary amount specified by the Director that the member pays directly to a Contractor or provider at the time covered services are rendered, as defined in R9-22 Article 7.

First Party Liability

The resources available from any insurance or other coverage obtained directly or indirectly by a member or eligible person that provides benefits directly to the member or the eligible person and is liable to pay all or part of the expenses for medical services incurred by AHCCCS, a Contractor, or member.



Fee for Service (FFS):	Fee-For-Service, a method of payment to registered providers on an amount-per-service basis.
Non-Contracting Provider	A person or entity that provides services as prescribed in A.R.S. §36-2901 who does not have a subcontract with an AHCCCS Contractor.
Provider	Any person or entity who submits a claim and receives payment for the provision of covered services to members pursuant to the provisions A.R.S. §36-2901 et seq. or any subcontractor of a Provider delivering such services. For the purposes of this policy, a Provider shall be further defined as all individuals associated by the same Tax Identification Number utilized for claiming purposes.
Retroactive Third Party Recovery	An action initiated by the Contractor to recover all or part of a previously paid claim resulting from the discovery of a liable party not known at the time of payment. Retroactive Third Party Recoveries only include overpayments identified by the Contractor where the Contractor seeks to actively recover funds from a liable party without the involvement of the provider.
Third Party Liability (Liable Party)	A person or entity that is or may be, by agreement, circumstance or otherwise, liable to pay all or part of the medical expenses incurred by an AHCCCS applicant or member.

III. Policy

A. Providers CONTRACTED with a Contractor

The Contractor shall pay the lesser of the difference between:

- a. The Primary Insurance Paid Amount and the Primary Insurance rate, i.e. the member's copayment required under the Primary Insurance, OR



- b. The Primary Insurance Paid amount and the Contractor’s Contracted Rate

The lesser of methodology applies unless the Contractor’s contract with the provider requires a different payment scheme.

B. Providers NOT CONTRACTED with a Contractor

The Contractor shall pay the lesser of the difference between:

- a. The Primary Insurance Paid amount and the Primary Insurance Rate, i.e., the member’s copayment required under the Primary Insurance, OR
- b. The Primary Insurance Paid Amount and the AHCCCS Fee for Service Rate

Examples:

Scenario 1	
AHCCCS FFS Rate \$50 Contractor Rate \$55 Primary Insurance Rate \$45 Primary Paid \$30	
Contractor Payment to Contracted Provider in this example	\$15 (this is calculated from the lesser of: \$45 - \$30 vs. \$55 - \$30)
Contractor Payment to Non-Contracted Provider in this example	\$15 (this is calculated from the lesser of: \$45 - \$30 vs. \$50 - \$30)
Scenario 2	
AHCCCS FFS Rate \$50 Contractor Rate \$55 Primary Insurance Rate \$60 Primary Paid \$40	
Contractor Payment to Contracted Provider in this example	\$15 (this is calculated from lesser of: \$60 - \$40 vs. \$50 - \$40)
Contractor Payment to Non-Contracted Provider in this example	\$10 (this is calculated from the lesser of: \$60 - \$40 vs. \$50 - \$40)
Scenario 3	
AHCCCS FFS Rate \$50 Contractor Rate \$55 Primary Insurance Rate \$70 Primary Paid \$60	
Contractor Payment to Contracted Provider in this example	\$0 (this is calculated from the lesser of: \$70 - \$60 vs. \$55 - \$60)
Contractor Payment to Non-Contracted Provider in this example	\$0 (this is calculated from the lesser of: \$70 - \$60 vs. \$50 - \$60)



If the Contractor refers the member for services to a third party insurer, other than Medicare, and the insurer requires payment in advance of all copayments, coinsurance and deductibles, the Contractor must make such payments in advance.

C. Members with a CRS Condition

A member with private insurance or Medicare coverage is not required to utilize CRS. This includes members with Medicare whether they are enrolled in Medicare FFS or a Medicare Managed Care Plan. If the member uses the private insurance network for a CRS-covered condition, the Contractor is responsible for all applicable deductibles and copayments. For members who have Medicare coverage, refer to ACOM Policy 201 or ACOM Policy 202 for more information.

D. Retroactive Third Party Recovery

The Contractor shall engage in retroactive third party recovery efforts for members for which a claim was paid, for up to two years from the date of service except for tagged claims as described below, to determine if there are other payor sources that were not known at the time of payment. The Contractor is prohibited from recouping related payments from providers, requiring providers to take action, or requiring the involvement of providers in any way.

The Contractor has two years from the service date to recover payments for a particular claim, or to identify claims having a reasonable expectation of recovery. A reasonable expectation of recovery is established when the Contractor has affirmatively identified a third party payor source and has begun the process of recovering payment. The Contractor will “tag” claims that have a reasonable expectation of recovery using an automated process to be developed by AHCCCS. If AHCCCS determines that a Contractor is tagging claims that do not meet these requirements, AHCCCS may impose sanctions.

After two years from the service date, AHCCCS will direct recovery efforts for retroactive recovery of claims for any claims not tagged by the Contractor. Although Contractors are responsible for recovery efforts for tagged claims irrespective of the two year time period, AHCCCS may, on a case by case basis, elect to direct recovery efforts for claims which are tagged by the Contractor. Any recoveries obtained by AHCCCS through its recovery efforts will be retained exclusively by AHCCCS and will not be shared with the Contractor.

The timeframe for submission of claims for recovery is limited to three years from the date of service consistent with A.R.S. §36-2923 and the Deficit Reduction Act of 2005 (Public Law 109-171).



Although all encounters related to the Contractor's recovery efforts must be adjusted, these adjustments cannot be completed through the normal encounter adjustment process as the Contractor may not request adjustments from, nor adjust related payment to, providers. Instead, the Contractor must submit an external replacement file (via an approved AHCCCS vendor with a prescribed AHCCCS file format) in order to directly update impacted encounters. This external replacement file must be submitted within 120 days from completion of the recovery project. The Contractor must contact the AHCCCS Encounter Unit at the completion of the recovery project for a list of approved AHCCCS vendors as well as the acceptable external replacement file format, and to coordinate submission of these files.

Encounters will not be adjusted when recoveries occur as a result of AHCCCS' efforts. AHCCCS will instead flag all encounters that are impacted by retroactive recovery and will develop and maintain a database to store recovery payments.

Utilizing the data from the replacement file submitted by the Contractor, and the database used to store AHCCCS' recoveries, AHCCCS will adjust prior and current payment reconciliations and reinsurance payments when appropriate.

The Contractor must submit quarterly updates regarding retroactive third party recoveries as outlined in the AHCCCS Program Integrity Reporting Guide (Cost Avoidance/Recovery Report) to DHCM Finance Manager.

IV. References

- R9-22 Article 7.
- R9-28 Article 7.
- Title XIX of the Social Security Act
- A.R.S. §36-2901, et. seq.
- A.R.S. §36-2923
- Deficit Reduction Act of 2005 (Public Law 109-171)
- AHCCCS Program Integrity Reporting Guide