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Medicare Secondary Payer Guidance on Health Reimbursement Arrangements

The Centers for Medicare and Medicaid Services (CMS) has updated its Medicare Secondary Payer (MSP) reporting requirements guidance with regard to health reimbursement arrangements (HRAs). The new guidance will likely eliminate the MSP reporting requirement for many HRAs.

What are the Medicare Secondary Payer (MSP) reporting requirements? The MSP rules specify when a group health plan must pay primary and when it may pay secondary if an individual is covered under both a group health plan and Medicare. The MSP rules apply to private-sector employers, as well as to religious institutions, the federal government, and states (including their agencies, instrumentalities, and political subdivisions). Insurers or third-party administrators (TPAs) for group health plans (and plan administrators or fiduciaries of self-insured and self-administered group health plans) – called "responsible reporting entities" (RREs) – are required to gather information from plan sponsors and plan participants to help CMS identify situations in which the group health plans are (or have been) primary to Medicare and to report that information to CMS. A detailed User Guide offers extensive guidance about how to comply with the requirements. CMS maintains a dedicated website providing additional instructions for implementing the reporting requirements.

HRAs are Subject to Special Rules. HRAs are group health plans subject to the MSP mandatory reporting requirements. CMS considers a plan to be an HRA if it is funded 100% by an employer, regardless of whether it has an end-of-year carryover or rollover feature. However, only HRA coverage under a "freestanding" HRA not linked with other group health plan coverage should be reported. HRA coverage that is "imbedded or part of a more comprehensive or standard group health plan" should not be reported separately from the standard group health plan coverage.

New HRA guidance, effective October 3, 2011. Previously, the MSP reporting threshold for HRAs was an annual benefit level of $1,000 or more. Under the new guidance, TPAs must report HRA coverage with an annual benefit level of $5,000. HRA coverage with an annual benefit level of less than $5,000 is exempt from MSP reporting. When calculating the current year's annual benefit level, TPAs must include amounts rolled over from the previous year's HRA coverage. The $5,000 threshold applies to new and renewing HRA coverage. If an employer or TPA is currently reporting for existing HRA coverage, it must continue to do so until the next renewal period.

Should you have questions about this or any aspect of group health plan requirements, contact your Conner Strong & Buckelew account representative toll free at 1-877-861-3220. For a

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