

Coordination of Benefits

(Coverage Under Multiple Health Plans)

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Until recently, just having one health insurance policy was practically a luxury. However, it is not uncommon for a person to be covered by more than one insurance plan.

First, it is surprisingly easy to end up covered under more than one health plan:

- You may be covered as an employee where you work and covered as a dependent under your spouse or domestic partner's employer's health plan.
- You may have individual health insurance and continue paying for it after enrolling in your employer's plan.
- You may be on Medicare and your employer's plan is continuing to cover you as a retiree or they have a policy of continuing health insurance for disabled employees.
- You may be covered under a guild or union plan as well as under an employer's plan or Medicare.

Back in the 1950s, duplicate coverage started creating a problem for insurance companies, and it became important to address the issue as more and more families had both spouses in the workforce. Even though two premiums were being paid for coverage, the insurance companies did not want and did not believe it was right to pay full benefits under both which would permit the insured person to actually make a profit from medical charges and insurance reimbursement.

The result is an industry-wide provision created by the companies and the National Association of Insurance Commissioners called the Coordination of Benefits Provision. The goal of the Coordination of Benefits was to prevent a person from making a profit from two or more health insurance policies, yet it provided the incentive of having the two plans, working together, pay up to 100% of the medical bills, wiping out any deductibles or co-insurance for the claimant to pay.

Over the years the one standard Coordination of Benefits provision was modified so that today there are three different types of provisions.

Original Coordination of Benefits (COB). The insurance industry adopted this uniform provision, which has been added to virtually all group health policies, those health policies purchased by employers and unions for their employees and members.

The general concept was simple: One plan, designated Primary, will pay its full, normal benefits. The other plan, called Secondary, will pay what is remaining of the total medical bill, up to the maximum amount it would have paid if it were the only insurance company involved but also only up to 100% of the medical bills. By this method, the

insured can have his medical bills paid 100% by the two companies, but will not receive more.

The provision contained the rules for determining which is Primary and which is Secondary. There is a table showing the order of payment at the end of this article, but here is a summary of the rules used to determine which plan pays first:

- Group plans that do not add the Coordination of Benefits provision to their policy will always pay first or be Primary. There are still a few union plans that have not added the provision.
- The group health plan covering the insured as an employee pays first.
- To determine who pays first on covered children's claims, the endorsement originally had the "male breadwinner's" plan pay first, but times change. Now the plan covering the parent whose birthday is earlier in the calendar year is Primary.

Note that these rules only apply to GROUP policies. Individual health insurance policies as well as Medicare and Medicaid do not come under these rules, but operate under one of the alternate plans.

Health Maintenance Organization (HMO)

The rational order of payment gets more complicated when one of the plans is an HMO. For example, HMOs pay nothing if the insured goes outside their network, so there is nothing to coordinate. Inside the network, usually the only expense is the copay which is paid directly to the treating provider, and it is usually low enough that neither patient nor the doctor's office is willing to invest the time and paperwork necessary to get reimbursed for that by the Secondary payer, however as HMO copays and co-insurance percentages grow, more are taking advantage of the provision.

Medicaid

Medicaid plans for the medically needy do not often become involved in duplicate coverage issues; however when they do, Medicaid, by law, is always the payer of last resort so would always be "Secondary" to any other insurance plan including Medicare. Reimbursement rates by Medicaid plans are frequently so low that anything paid by the insurance company will usually exceed what Medicaid would have paid anyway.

Medicare

Medicare has its own set of rules about which plan becomes Primary. For a complete explanation of the rules, they publish a booklet, "*Medicare and Other Health Benefits: Your Guide to Who Pays First*" (Publication No. CMS-02179) which can be found at: <http://www.medicare.gov/Pubs/pdf/02179.pdf>. It covers more types of insurance than just group health policies. It also covers Workers' Compensation, Veterans' benefits, special government programs like Black Lung, coverage under no-fault or liability insurance, or Medicare due to End Stage Renal Disease or ALS (Lou Gehrig's Disease). A table below shows how Medicare works with group health plans.

Individual Health Insurance

The Coordination of Benefits endorsement on group health policies does not apply to individual health insurance policies so they generally pay their full benefits regardless of other group health policies in force.

If you have a group health policy and an individually purchased policy both plans should pay their full benefits, theoretically giving the claimant the opportunity to profit from double coverage. However, insurance companies will resist paying the second set of benefits, so expect resistance from the companies.

For persons with an individual policy who are also covered under Medicare, most individual policies have a **Non-Duplication of Benefits Provision**. This provision states that the individual policy will compute its regular benefits but only pay what is left after subtracting Medicare's payments from what their plan would have paid. In other words, the insurance company, not you, profits from the double coverage.

Med 2 or Government Exclusion. Some group policies use a third calculation when the other plan is Medicare. This provision states that the insurance plan, if secondary to Medicare, will apply their benefit schedule to what Medicare allowed but did not pay.

For example, a doctor bills \$200 for a procedure. Medicare says the Medicare Allowable Amount is \$100 so they pay 80% of that or \$80; the claimant is not liable for the additional \$100. The Secondary plan also pays 80%, so it will pay 80% of what Medicare allowed but didn't pay. Medicare didn't pay \$20 of the Allowed \$100, so the Secondary pays 80% of \$20 or \$16. The insured is not obligated to pay what Medicare didn't allow so after the two companies pay a total of \$80 + \$16 or \$96, the claimant only needs to pay \$4.

Covered Under Two Plans as the Employee. If you are covered as an employee under two plans either by working two jobs or covered under a union plan and an employer plan, the plan you have been covered under longer is Primary.

Claims Processing

When there is more than one health insurance plan, the processing of claims can also get complicated, however, that is an issue for the people doing the medical billing rather than the claimant. It is important that you notify all medical providers of the two plans so the person sending out medical bills can determine the primary and secondary carriers.

The claim is first sent to the Primary insurance company. Once they process the claim, the provider's billing office will then send the claim, along with the Primary carrier's processing information, to the Secondary carrier, who will then determine their payment.

Below are two tables that show the order of payment for group health policies with Medicare, Table 1, and with other group and individual health insurance policies, Table 2.

Table 1: Medicare and Group Health Plans

| If you... | Condition | Pays first | Pays second |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------|-------------------------|--------------------|
| Are age 65 or older and covered by a group health plan because you are <u>actively</u> working or are covered by a group health plan of an <u>actively</u> working spouse of any age | The employer has 20 or more employees | Group Health Plan | Medicare |
| | The employer has less than 20 employees or is part of a multi-employer plan | Medicare | Group Health Plan |
| Have an employer group health plan after you retire and are age 65 or older | Entitled to Medicare | Medicare | Retiree Coverage |
| Are disabled and covered by a group health plan from your <u>active</u> work, or from a family member who is <u>actively</u> working | The employer has 100 or more employees | Large Group Health Plan | Medicare |
| | The employer has less than 100 employees and isn't part of a multi-employer trust | Medicare | Group Health Plan |
| Are disabled and covered by a group health plan either on COBRA or covered because employer continues coverage due to disability | Entitled to Medicare | Medicare | Group Health Plan |

Table 2: Coordination of Benefits Endorsement

| <p>Read Across for Plan One to the column that, describes how you are covered under one plan.</p> <p>Read Down for Plan Two to the row that describes how you are covered under the other plan.</p> <p>Where the column and the row meet shows how Coordination of Benefits affects the payments.</p> | | | PLAN ONE | | | | | | |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|-----------------------------------------|------------------------------|-----------------------------------------|---------------------------------------------------------------------------------------------------------------------------|------------------------------|-------------------------------------------------------------------------------------|-------------------|-------------------|
| | | | Individual Policy | Group Health Plans | | | | | |
| | | | | No Coordination of Benefits Endorsement | With Coordination of Benefits Endorsement | | | | |
| | | | | | Covered as Employee | Covered as Spouse | Covered as Child under age 26 | | |
| P | Individual Policy | | Both Plans Pay Full Benefits | Both Plans Pay Full Benefits | Both Plans Pay Full Benefits | Both Plans Pay Full Benefits | Both Plans Pay Full Benefits | | |
| | L | No Coordination of Benefits Endorsement | | Both Plans Pay Full Benefits | Both Plans Pay Full Benefits | Plan 2 is Primary | Plan 2 is Primary | Plan 2 is Primary | |
| | | A | W B I T H E | Covered as Employee | Both Plans Pay Full Benefits | Plan 1 is Primary | N/A | Plan 2 is Primary | Plan 2 is Primary |
| | | | N | C O S | Covered as Spouse | Both Plans Pay Full Benefits | Plan 1 is Primary | Plan 1 is Primary | N/A |
| O | Covered as Child under age 26 | | Both Plans Pay Full Benefits | Plan 1 is Primary | Plan 1 is Primary or, if not working, Plan of parent with the birthday that comes earlier in the calendar year is Primary | N/A | Plan of parent with the birthday that comes earlier in the calendar year is Primary | | |