

Operational Policy Letter #9

Department Of Health & Human Services

Health Care Financing Administration

Medicare Managed Care

May 10, 1995

LIMITING CHARGE AND HCPP PROVIDERS

Issue:

A physician's typical charge for a specific service is \$1,000. Under agreement with a health plan, however, the physician agrees to charge the plan only \$650 each time she performs that service for a non-Medicare health plan member.

The plan also has an HCPP agreement with HCFA to provide Part B physician and supplier services to Medicare enrollees. Instead of charging the HCPP \$650 for performing the service for one of its Medicare enrollees, however, the doctor chooses to bill Medicare directly and bill the remainder to the HCPP.

The physician fee schedule authorizes Medicare to pay \$500 for this service.

Operational Policy Question:

What amount will the physician be paid and by whom?

Answer:

HCFA will pay the physician one of two amounts depending on whether she is "participating" or "nonparticipating" in the Medicare program.

Participating physicians are entitled to the entire fee schedule amount of \$500. Assuming the Medicare Part B deductible has been satisfied, Medicare will pay 80% of this amount (\$400.), and the beneficiary is responsible for 20% coinsurance (\$100.) If the HCPP has agreed to provide coinsurance, then it is responsible for the 20% balance.

Nonparticipating physicians are entitled to 95% of the \$500 fee schedule amount (\$475). Assuming the Medicare Part B deductible has been satisfied, Medicare will pay 80% of this amount (\$380).

As for the remainder of the bill, nonparticipating physicians are allowed to bill a total of 15% above the \$475 reduced fee schedule amount (\$546.25). Therefore, the maximum a nonparticipating physician can charge is \$546.25, of which Medicare will pay \$380 and the beneficiary is responsible for the \$166.25 remainder. If the HCPP has agreed to cover the remainder of a nonparticipating physician's bill, then it is responsible for the \$166.25.

Please also note that a physician who charges a beneficiary more than the limiting charge must refund the difference regardless of whether the physician is participating or nonparticipating in the Medicare program.

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