

Medicare Advantage Reimbursement Policy

Medicare Sequestration Alignment Policy

Update: 12/2025

Origination: 5/2015

DESCRIPTION

In the federal Budget Control Act of 2011 (“BCA”), the United States Congress adopted a budget policy often referred to as sequestration (“Sequestration”) that mandated specific reductions in federal spending that would automatically take effect if Congress was unable to enact budget reforms that satisfied criteria set forth in the BCA. After Congress failed to enact such reforms, Sequestration took effect on March 1, 2013.

To comply with the BCA and Sequestration, the Centers for Medicare and Medicaid Services (“CMS”) instituted various payment methodologies that took effect on April 1, 2013, including a 2% downward adjustment to payments made by CMS to health care providers and suppliers for items and services supplied under Part A and Part B of Medicare, and a separate 2% downward adjustment to payments made by CMS to Medicare Advantage Organizations (“MAO”) for administration of Medicare Advantage plans under Part C of Medicare.

Because Section 1854(a)(6)(B)(iii) of the Social Security Act puts the contractual arrangements between MAOs and their network providers largely beyond CMS’s regulatory reach, CMS’s Sequestration policy for MAOs did not directly effectuate or implement a 2% adjustment to the payments made by MAOs to their contracted providers for services supplied to members of Medicare Advantage plans administered by the MAOs. As a result, a discrepancy has developed between the reimbursement guidelines applied by CMS in the original Medicare program (i.e., Part A and Part B) and the reimbursement guidelines applied by MAOs in the Medicare Advantage program (i.e., Part C).

In addition, the possibility exists for the federal government to institute further sequestration reductions under the Statutory Pay-As-You-Go Act of 2010 (S-PAYGO) in response to certain increases in federal spending. Similar to the Sequestration policy implemented under the BCA, the S-PAYGO law would impact the payments made by CMS to MAOs for administering Medicare Advantage plans without directly affecting the the payments made by MAOs to contracted providers for services provided to members of those plans. As a result, further discrepancies could develop over time as a result of further sequestration reductions.

POLICY

To align the reimbursement guidance applicable to provider payments made in connection with Blue Cross and Blue Shield of North Carolina’s (Blue Cross NC) Medicare Advantage plans with the Sequestration methodology applied to provider payments made by CMS in connection

with Part A and Part B of Medicare, Blue Cross NC will reduce payments made to participating providers for items and services supplied to members of Blue Cross NC Medicare Advantage plans by the same percentage amount that CMS reduces payments made to MAOs for administering Medicare Advantage plans. Thus, if CMS reduces payments to MAOs by 2%, Blue Cross NC would reduce payments made to its contracted providers by 2%. If CMS reduced payments by 4%, Blue Cross NC would reduce payments by 4%.

References:

1. CMS Medicare FFS Provider e-News entitled “Mandatory Payment Reductions in the Medicare Fee-for-Service (FFS) Program – ‘Sequestration,’” March 8, 2013.
2. Health Plan Management System Memorandum entitled “Additional Information Regarding the Mandatory Payment Reductions in the Medicare Advantage, Part D, and Other Programs” from the Centers for Medicare and Medicaid Services, May 1, 2013.

Policy Implementation/Update Information:

Policy entitled: Medicare Sequestration Alignment Policy