

# Medicare Advantage Reimbursement Policy

## Medicare Sequestration Alignment Policy

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 policies applied by CMS in the original Medicare program (i.e., Part A and Part B) and the reimbursement policies applied by MAOs in the Medicare Advantage program (i.e., Part C).

### **POLICY**

To align the reimbursement policies applicable to provider payments made in connection with BCBSNC’s Medicare Advantage plans with the Sequestration methodology applied to provider payments made by CMS in connection with Part A and Part B of Medicare, BCBSNC will reduce by 2% payments made to participating providers for items and services supplied to members of BCBSNC’s Medicare Advantage plans.

This policy will apply to payments made by BCBSNC for covered items and services supplied to members covered by BCBSNC’s Medicare Advantage health plans. The Sequestration payment adjustment will be applied at the final payment level after all other edits, rules, and adjustments have been applied.

### **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**