Coordination of Benefits – Secondary's 835
'Provider Workaround Guideline' for OA23 and CO45 on an 835

Background:

In order to appropriately process their accounts and bill the patient, providers need the following on a remittance advice from a secondary payer:
- The amount paid by the secondary payer
- The amount allowed by the secondary payer
- The amount of the primary payers impact on the secondary claim
- The amount that the secondary payer expects the provider to write off
- Any denial amount from the secondary payer
- The patient responsibility amount as determined by the secondary payer.

Not having this information causes manual follow-up. The most problematic situation is the rework that is required if the write-off amount is not provided. The current Best Practice Recommendation (BPR) for the 835 outlines how this information should be conveyed on the 835. However, with the exception of the situation when a payer is secondary to Medicare, the managing of Coordination of Benefits (COB) is a complex process and the primary's contractual write off may not be reported on the secondary payer's 835.

As such, the 'Provider Workaround Guideline' was developed as an aid to help providers compute a contractual allowance amount from the Secondary Payer Paid and Patient Responsibility amounts reported on the 835. This Guideline is likely to work for Professional and Institutional Claims and Dental Claims.

This Guideline should work in situations when the amount of the secondary payment along with the amount of the secondary patient responsibility does not exceed the outstanding balance amount from the primary payer. In all other situations refer to the contracts you have with your payers, WAC 284-51-220 and any financial policies within your organization.

Proposed 'Provider Workaround' for Non-primary adjudication of Professional and Institutional Claims:

The objective is to compute the maximum non-primary contractual write-off amount, from the secondary payer, i.e. the ***Not Allowed Amount (NAA)***

Using the following information from payor 2's 835, Payer 2's Paid Amount and Payer 2's Patient Responsibility Amount, along with the Outstanding Balance from Payer 1 (as present in the billing system of record), the computation is …

Not allowed amount (NAA) from payer 2 = (the outstanding balance from payer 1) – (current paid amount from payor 2 + Patient Responsibility amount from payer 2).

Example: $120 charge**.**

Payment from Payer 1:
  Paid amount = $50
  CO45 = $40
  Patient Responsibility (PR) = $30

  Balance from Payor 1 = $30

Payment from Payer 2
  Paid amount = $20
  OA23 = $50
  CO45 = $45
  Patient Responsibility(PR) = $5

Not Allowed amount (NAA) calculation:
Not allowed amount from payer 2 = ((Balance from Payer 1) – (paid amount from payer 2 + Patient Responsibility from payer 2))

Not allowed amount from payer 2 =(($30) – ($20 + $5))
Not allowed amount from payer 2 = **$5**