

## OPERATIONS MANAGEMENT BUSINESS AREA THIRD PARTY LIABILITY (TPL) CHECKLIST

<b>STATE:</b>	<b>DATE OF REVIEW:</b>	<b>REVIEWER:</b>
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### THIRD PARTY LIABILITY (TPL) CHECKLIST

#### THIRD PARTY LIABILITY (TPL) CHECKLIST BACKGROUND

*Background for this checklist:*

1. Third Party Liability (TPL) – The legal obligation of a third party (other than Medicaid) to pay for part or all of a claim. Since Medicaid is legally the “payer of last resort,” the identification of other payer obligations is a major requirement in the adjudication of claims. In a systems context, TPL usually refers only to those automated TPL-related activities that are contained in core parts of the MMIS.
2. Coordination of Benefits (COB) – Industry term applied to agreements among payers to assign liability and to perform the end-to-end payment reconciliation process. This term applies mostly to the electronic data interchanges associated with Health Insurance Portability and Accountability Act (HIPAA) transactions.
3. In Medicaid, there are two primary functions related to detecting TPL obligations:
  - a. Cost-avoidance – Determining the presence of TPL obligations before the claim is paid
  - b. Pay-and-chase – Identifying TPL obligations after the claim is paid
4. The following definitions apply to TPL:
  - a. Coinsurance – A portion or percentage of the cost for a specific service or item for which the individual is responsible when the service or item is delivered.
  - b. Cost Avoidance - A method of preventing inappropriate payments under Medicaid and reducing improper Medicaid expenditures. Whenever the Medicaid agency is billed first and a potentially liable third party exists, the Medicaid agency rejects the claim and returns it to the provider to be billed to the primary payer to determine the third party’s liability (42 CFR 433.139(b)).
  - c. Deductible – A fixed dollar amount that an individual must pay before the costs of services are covered by an insurance plan.
  - d. Estate – Property (real or personal) in which one has a right or interest at time of death.
  - e. Health Insurer - Includes a group health plan, as defined in §607(1) of the Employee Retirement Income Security Act (ERISA) of 1974, a service benefit plan, and a Managed Care Organization (MCO). (The inclusions are explanatory and not mutually exclusive.)
  - f. Insurer – Any private insurer or public insurer
  - g. Post Payment Recovery (Pay and Chase) – A method used where Medicaid pays the recipient’s medical bills and then attempts to recover from liable third parties. Pay and Chase waivers are based on specific services as determined by procedure code or type of service.

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- h. Third Party – Any individual, entity, insurer, or program that is, or may be, liable to furnish health care services or to pay for all or part of the costs of medical assistance covered under a Medicaid State plan. Medicaid is generally the payer of last resort. Examples of a third party are employment-related health insurance, medical child support from non-custodial parents, and Medicare. Every Medicaid jurisdiction is required by §1902(a)(25) of the Act to take reasonable measures to determine the legal liability of third party payers.

*Sources for the criteria in this checklist are as follows:*

SMM – State Medicaid Manual, MMIS Section, available from <http://www.cms.hhs.gov/Manuals/PBM/list.asp>, Document 45

SMM/TPL – State Medicaid Manual, TPL Section (3900), available from <http://www.cms.hhs.gov/Manuals/PBM/list.asp>, Document 45

CFR – Code of Federal Regulations, available from <http://www.access.gpo.gov/uscode/title42/title42.html>

IBP – Industry Best Practice. Items are selected from RFPs for MMISs developed by states and approved by CMS.

DRA – Deficit Reduction Act of 2005, Section 6035, available from <http://thomas.loc.gov/cgi-bin/query/D?c109:5:./temp/~c109koQQwB>

HIPAA – HIPAA act, available from

[http://www.cms.hhs.gov/TransactionCodeSetsStands/02\\_TransactionsandCodeSetsRegulations.asp#TopOfPage](http://www.cms.hhs.gov/TransactionCodeSetsStands/02_TransactionsandCodeSetsRegulations.asp#TopOfPage)

SSA - Compilation of the Social Security Laws, January 1, 2005, Vol. 1, available from [http://www.ssa.gov/OP\\_Home/ssact/comp-toc.htm](http://www.ssa.gov/OP_Home/ssact/comp-toc.htm)

BUSINESS OBJECTIVES		
Reference #	Business Objectives	Comments
TP1	Provide efficient and timely identification and maintenance of Third Party Liability (TPL) resources.	
TP2	Obtain the maximum cost avoidance and reimbursement for Medicaid Beneficiaries covered by other insurance.	
TPSS1	<i>Add State-specific business objectives for the Third Party Liability (TPL) Checklist here.</i>	

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TP1 – PROVIDE EFFICIENT AND TIMELY IDENTIFICATION AND MAINTENANCE OF TPL RESOURCES					
Ref #	System Review Criteria	Source	Yes	No	Comments
TP1.1	Provides the storage and retrieval of TPL information including: <ul style="list-style-type: none"> <li>▪ Name of insurance company.</li> <li>▪ Address of insurance company.</li> <li>▪ Policy number</li> <li>▪ Group number</li> <li>▪ Name of policyholder</li> <li>▪ Relationship to Medicaid Beneficiary</li> <li>▪ Services covered</li> <li>▪ Policy period</li> <li>▪ Multiple resources under one Beneficiary</li> <li>▪ Group health plan participants</li> <li>▪ Health Insurance Premium Payment (HIPP) participant</li> </ul>	SMM			
TP1.2	Provides the storage and retrieval of casualty-related information (e.g., motor vehicle accident and workers' compensation information).	SMM			
TP1.3	Identifies and follows up on third party information from all sources.	SMM			
TP1.4	Identifies claims with trauma diagnosis codes, accident codes and indicators and routes them for follow-up to see if there is TPL	SMM			

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**TP1 – PROVIDE EFFICIENT AND TIMELY IDENTIFICATION AND MAINTENANCE OF TPL RESOURCES**

Ref #	System Review Criteria	Source	Yes	No	Comments
TP1.5	Produces letters and tracks original and follow-up letters to employers, insurers, Beneficiaries and others to verify health coverage.	CFR			
TP1.6	Automatically generates casualty-related follow-up to Beneficiaries, attorneys, motor vehicle department, etc. according to State-specified criteria.	IBP			
TP1.7	Accepts and processes verification data from employers, insurance companies, providers, Beneficiaries, attorneys and others. Verification data should include the 'type of insurance coverage' for each policy (e.g., inpatient, outpatient, physician, pharmacy, dental).	CFR			
TP1.8	Maintains all third party resource information at the Beneficiary-specific level.	SMM			
TP1.9	Maintains multiple third party coverage information for individual Beneficiaries for all of their periods of eligibility.	SMM			
TP1.10	Identifies the source of TPL information (e.g., X12N 270 eligibility determination, insurance company).	IBP			
TP1.11	Edits TPL data updates for validity and for consistency with existing TPL data.	IBP			
TP1.12	Edits additions and updates to the Beneficiary insurance information to prevent the addition of duplicates.	IBP			
TP1.13	Provides a mechanism to correct outdated TPL information.	IBP			

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**TP1 – PROVIDE EFFICIENT AND TIMELY IDENTIFICATION AND MAINTENANCE OF TPL RESOURCES**

Ref #	System Review Criteria	Source	Yes	No	Comments
TP1.14	Generates and maintains an audit trail of all updates to the Beneficiary insurance data, including those updates that were not applied due to errors, for a time period specified by the State.	IBP			
TP1.15	Cross-references the health insurance carriers to the employers.	IBP			
TP1.16	Allows only authorized staff members to do manual deletes and overrides of alerts/edits.	IBP			
TP1.17	Identifies claims designated as “mandatory pay and chase”, makes appropriate payments and flags such claims for future recovery (i.e. identifies services provided to children who are under a medical child support order, and flags diagnosis information to identify prenatal care services provided to pregnant women and preventive pediatric services provided to children.	SMM			

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**TP1 – PROVIDE EFFICIENT AND TIMELY IDENTIFICATION AND MAINTENANCE OF TPL RESOURCES**

Ref #	System Review Criteria	Source	Yes	No	Comments
TP1SS.1	<p>Add State-specific criteria for this objective here.</p> <p>Example: Provides the capability to maintain historical data on TPL resource records as well as a hierarchy of coverage types for update purposes.</p> <p>Example: If available, receives, processes, and updates medical support information received from the State's child support enforcement agency.</p> <p>Example: Creates and maintains employer data that identifies employers and the health care plans they provide to employees.</p> <p>Example: Maintains at least 36 months of historical information on third party resources for each eligible member.</p>				

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**TP2 – OBTAIN THE MAXIMUM COST AVOIDANCE AND REIMBURSEMENT FOR MEDICAID BENEFICIARIES  
COVERED BY OTHER INSURANCE**

Ref #	System Review Criteria	Source	Yes	No	Comments
TP2.1	Screens claims to determine if claims are for Beneficiaries with TPL coverage, if service is covered and if date of service is within coverage period. Denies or suspends, as provided in State rules, claims that are for products or services that are covered. Notifies the provider of claims denied because of TPL coverage.	SMM			
TP2.2	Generates automated TPL billing information to providers for beneficiaries with third party coverage.	SMM			
TP2.3	Accounts for TPL payments to providers in determining the appropriate Medicaid payment.	SMM			
TP2.4	Tracks and reports cost avoidance dollars.	SMM			
TP2.5	Allows for payment of claims that would have been rejected due to TPL coverage if provider includes override codes that indicates that benefits are not available.	SMM			
TP2.6	Supports recovery from an estate or designated trust.	SMM			
TP2.7	Screens verified TPL resources against paid claims history retroactively for three years to identify recoverable funds.	SSA DRA			
TP2.8	Accumulates claims up to a specified threshold amount and seeks TPL recovery when the threshold is reached.	SMM			

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Ref #	System Review Criteria	Source	Yes	No	Comments
TP2.9	Seek recovery of claims previously paid when TPL coverage is identified by billing the third parties using the X12N 837 Coordination of Benefits transaction or a proprietary format.	SMM CFR HIPAA			
TP2.10	Automatically re-bills insurance companies if a response (payment or denial) is not received within State-specified guidelines.	IBP			
TP2.11	Associates third party recoveries to individual claims.	SMM			
TP2.12	Manages accounts receivable and claims adjustments as TPL related invoices are paid.	IBP			
TP2.13	Designates portions of claim amounts collected to reimburse CMS and the State with any remainder paid to the recipient.	SMM			
TP2.14	Prepares retroactive reports (reverse crossover) to Medicare Part B or the provider, as appropriate, for all claims paid by Medicaid that should have been paid by Medicare part B.	IBP			
TP2.15	Identifies Beneficiaries for referral to the Lock-in program.	SSA			



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**TP2 – OBTAIN THE MAXIMUM COST AVOIDANCE AND REIMBURSEMENT FOR MEDICAID BENEFICIARIES  
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Ref #	System Review Criteria	Source	Yes	No	Comments
TP2SS.1	<p>Add State-specific criteria for this objective here.</p> <p>Example: Tracks the estate in order to seek recovery once the surviving spouse dies.</p> <p>Example: Automatically generates Health Insurance Premium Payments (HIPP) for eligible Beneficiaries.</p> <p>Example: Provides the capability to automatically generate CHAMPUS claim form invoices on claims where CHAMPUS/DEERS coverage is indicated</p>				

**FIRST STATE-SPECIFIC OBJECTIVE**

Ref #	System Review Criteria	Source	Yes	No	Comments
TPSS1.1	<p>Add criteria based on the APD, RFP, etc., that are relevant to this State-specific objective.</p>				