



MEDICARE 101

Sequestration: The Reason Why Your Medicare Payment Is Suddenly Lower

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Question: I have noticed my Medicare fees are reduced and I am getting a notice of reduction with a CO253 explanation. What does this mean and may I charge that reduction to my patient?

What you are experiencing is the Medicare sequestration reduction. This is the pre-COVID reduction that reduced all Medicare payments by 2 percent. However, due to COVID, this Medicare reduction was suspended for the public health emergency.

1 Percent or 2 Percent?

The suspension under the Protecting Medicare and American Farmers From Sequester Cuts Act impacts payments for all Medicare fee-for-service claims. As a result of this act, a suspension on the sequestration was put in place due to the PHE. The sequestration was suspended through March 31, 2022. Effective April 1, 2022, a 1 percent sequestration payment adjustment is being applied for claims with dates of service through June 30, 2022.



The reduction you are experiencing began with dates of services on April 1, 2022 and is limited to 1 percent, which means most payments have a reduced fee of about 30-50 cents for spinal CMT, depending on the code level and region. For services on or after July 1, 2022, the reduction will increase to 2 percent; an approximate 60-cent reduction. The sequestration does not affect Medicare Advantage payments or VA payments.

Collecting the Full Amount

Beneficiary payments for deductibles and co-insurance are not subject to the payment reduction. Therefore, during the deductible period when Medicare is not making a payment, you may collect the full amount from the patient. But once Medicare is making payment, the amount paid to the provider will be reduced and that is not an amount you can pass on to the patient.

However, when you are a non-par provider not accepting assignment, you may charge the full limiting charge to the patient without any reduction, but the patient will be paid at a rate that is 2 percent reduced from the non-par rate. This means non-par providers who are not accepting assignment will have no reduction, but if they accept assignment, will be subject to the reduction. This is the direct explanation from Medicare:

The non-participating physician who bills on a non-assigned basis collects his/her full payment from the beneficiary, and Medicare reimburses the beneficiary the Medicare portion (e.g., 80% of the reduced fee schedule amount). The "reduced fee schedule" refers to the fact that Medicare's approved amount for claims from non-participating Physicians/practitioners is 95% of the full fee schedule amount). This reimbursed amount to the beneficiary is subject to the 2% reduction, just like payments to physicians on assigned claims. If the limiting charge applies to the service rendered, physicians/practitioners cannot collect more than the limiting charge amount from the beneficiary.

The reduction is from the calculated payment amount after the approved amount is determined and the deductible and coinsurance are applied.

An Example of How It Works

Example: A provider bills a service with an approved amount of \$50, and \$50 is applied to the deductible. A balance of \$50 remains and is due by the patient.

However, once the deductible is met and Medicare makes a payment, it would be calculated in this manner: Medicare would approve \$50, and payment would be 80 percent (\$40), and the remaining 20 percent (\$10) by the patient.

But with sequestration reduction, 2 percent of the \$40 calculated payment amount is not payable, resulting in a payment of \$39.20 instead of \$40 ($\$40 \times .02 = \$.80$). The patient will still have the same copayment of \$10, but the payment from Medicare will be reduced by 80 cents.

Other Considerations

Sequestration is part of the Budget Control Act of 2011, which requires, among other things, mandatory across-the-board reductions in federal spending, also known as sequestration. In general, Medicare fee-for-service claims, which includes chiropractic reimbursement, with dates of service or dates of discharge on or after April 1, 2013, incurred a 2 percent reduction in Medicare payment.

The sequestration payment adjustment reduction will appear on the RA with a CARC 253, used to report the sequestration reduction. The code will appear as a CO 253 on the RA, with "Sequestration - reduction in federal payment" as the reason. The date of service will determine if the reduction is 1 percent or 2 percent, not the date of billing.

If you have an old Medicare claim with a date of service before April 1, 2022, there will be no reduction. This is possible, as Medicare will accept claims for 12 months from the date of service. So if you notice no reduction on a current payment, the likely reason is the date of service being before the latest sequestration dates.

Note that this is not a chiropractic-only reduction; all payments made on Medicare fee-for-service claims are subject to the 2 percent reduction. There are no exemptions provided in the law for drugs or any other health care item or service provided under the fee-for-service program.

Editor's Note: Have a billing question? Submit it via email to Sam at sam@hjrossnetwork.com. Your question may be the subject of a future column. Note that submission of a question is acknowledgment that it may be referenced (anonymously) in his column.

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