

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Beneficiary Choices  
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**CENTER FOR BENEFICIARY CHOICES**

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**DATE:** March 8, 2007

**TO:** All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans, PACE Organizations and Demonstrations

**FROM:** Abby L. Block, Director

**SUBJECT: Social Security Premium Withholding and Secondary Coverage for Plan Premiums**

We remind plan sponsors that in accordance with our coordination of benefit requirements at 42 CFR 423.464 and Chapter 14 of the Medicare Prescription Drug Manual, plans must accept premium payments made by supplemental payers, like State Pharmaceutical Assistance Programs (SPAPs), on behalf of their Part D enrollees. Part D plans are required to work directly with SPAPs, or the other payers, to systematically coordinate and accept premium payments in accordance with our guidelines.

CMS has been informed of beneficiaries that are having problems with Social Security withholding when a secondary payer has reduced their premiums. We would like to remind plan sponsors and other payers of the “all or nothing” rule with respect to Social Security premium withholding. On several occasions we announced the “all or nothing” rule for Part C, Part D, or consolidated premium withholding.<sup>1</sup> This rule states that the entire premium amount due must be deducted from the beneficiary’s monthly benefit.

CMS is clarifying that this rule is in place because the business rules for premium withholding—and therefore the Premium Withhold System (PWS)—cannot accommodate coordination with other benefits such as SPAPs. This is because the law did not provide a specific directive nor did it provide the clear authority for CMS to create a coordination of benefits system for Social Security premium withholding. To date, beneficiary level adjustments to plan premiums for Social Security withholding are only possible for the low-income premium subsidy and the late enrollment penalty. Beneficiaries with premium reductions from other payers should be urged to select “direct bill” as the payment method for the remainder of their plan premium, or they will have a withholding exceeding the amount they owe.

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<sup>1</sup> (a) 2006 Medicare Advantage and Part D Enrollment and Payment Systems Changes Part I—Action available at <http://www.cms.hhs.gov/MMAHelp/downloads/Systemsletter1.pdf> (b) Instructions for the 2006 Contract Year to MA organizations available at [http://www.cms.hhs.gov/BenePriceBidFormPlanPackage/02\\_Bid2006.asp](http://www.cms.hhs.gov/BenePriceBidFormPlanPackage/02_Bid2006.asp) (c) Q&A ID#5125 available at <http://questions.cms.hhs.gov>

Members that have a secondary payer providing a premium benefit, who have also elected premium withholding, will be owed a refund by their primary plan per the rule at 42 CFR 422.270. For example, if a member of a PDP with a \$20 premium has a SPAP premium benefit of \$10 per month and the member has elected withholding (the full \$20 will be withheld) the PDP will need to refund the member \$10.

Plans should not convert members with secondary coverage for premiums to “direct bill” status unless the member has specifically requested that they do so. However, plans may encourage their members with such coverage to elect “direct bill” by explaining to them that premium withholding will not work correctly for them. Model language is provided that plans may use for member communications on this issue in the attachment. Note, that CMS is not requiring any specific communication between plans and their members.

Questions concerning this guidance may be addressed to Mark Newsom at (410) 786-3198 or by e-mail at [mark.newsom@cms.hhs.gov](mailto:mark.newsom@cms.hhs.gov)

### **Model language for member communications**

If you have chosen to have your Medicare Health Plan or Prescription Drug Plan premiums taken out of your Social Security benefit **and** you have another insurer or benefit such as an employer health plan or a State Pharmaceutical Assistance Program paying part of these premiums you may be experiencing problems.

While you still have the right to elect Social Security withholding, it is important that you know Social Security does not know if you have other coverage that pays part of your premium. As a result, Social Security will still withhold your entire monthly premium, even when the other coverage is paying part of it to your Medicare Health Plan or Prescription Drug Plan. If you elect to be directly billed instead, you will be billed the correct amount. If you stay with Social Security withholding there may be delays in refunding you the excess amounts.