MLN Matters Number: SE0605

Related Change Request (CR) #: N/A

Related CR Release Date: N/A

Effective Date: N/A

Related CR Transmittal #: N/A

Implementation Date: N/A

Explanation of Systems Used by Medicare to Process Your Claims

Note: This article was revised to contain web addresses that conform to the new CMS web site and to show they are now MLN Matters articles. All other information remains the same.

Provider Types Affected

All physicians, providers, and suppliers who submit claims to Medicare.

Introduction

This Special Edition article provides a high-level overview of the software systems Medicare uses to process your claims. Frequently, *MLN Matters* articles reference Medicare systems and this article will help explain briefly what those systems are.

Sometimes, you may see documents from the Centers for Medicare & Medicaid Services (CMS) that reference the "Shared Systems," or system acronyms, such as FISS, MCS, or CWF. The purpose of this Special Edition article is to provide you with some understanding of these systems and how they are used to process your claims.

Overview

When a beneficiary visits a physician, hospital, or other supplier of health care services, a claim is sent by the provider of the service to a Medicare fiscal intermediary (FI) or carrier, including durable medical equipment regional carriers (DMERCs) and regional home health intermediaries (RHHIs). Collectively, the carriers and FIs, DMERCs, and RHHIs are referred to as Medicare contractors.

Using certain systems, known within CMS as "Shared Systems," the Medicare contractors perform traditional claims processing services, and send claims to another Medicare system, known as the Common Working File (CWF) System for verification, validation, and payment authorization.

Responses are returned from the CWF concerning payments to the FI, RHHI, DMERC, or carrier, who subsequently pays for the service, if appropriate. Only CMS and the Medicare contractors have direct communication with the CWF System. CWF provides an interface between CMS and its contractors.

The Medicare Claims Flow Diagram on the last page of this article illustrates the claims processing flow. In brief, the various systems that process Medicare claims are described as follows:

Shared Systems

There are three "Shared Systems" that process Medicare claims:

- One processes Medicare claims submitted to FIs and RHHIs;

- Another processes claims submitted to carriers; and

- The third processes claims submitted to DMERCs.

All three of the "Shared Systems" interface with the CWF, which is addressed below. These systems apply certain edits to claims received. Claims that do not pass those edits are returned to the provider (RTP) and are often referred to as RTP claims. Examples of claims that may be RTP'ed include those where an invalid health insurance claim number (HICN) or an invalid provider number is supplied on the initial claim.

Fiscal Intermediary Standard System (FISS)
FISS is a mainframe system that FIs and RHHIs use to process Medicare Part A claims nationwide, including outpatient claims submitted under Part B. Within FISS, claims are entered, corrected, adjusted, or canceled. Inquiries for status of claims, for additional development requests, or for eligibility and various codes are processed.

Multi-Carrier System (MCS)
MCS is a mainframe system that Medicare Part B carriers use to process Medicare Part B Claims nationwide. It processes claims for physician care, durable medical equipment, and other outpatient services. Like its Part A counterpart, claims are entered, corrected, adjusted, or canceled. Inquiries for status of claims, for additional development requests, or for eligibility and various codes are processed.

VMS Shared System
This system has some of the same characteristics as the MCS, but processes claims submitted by suppliers to the Medicare DMERCs.

CMS-Supplied Modules and Pricing/Coding Files
In addition to the "Shared Systems," CMS supplies other uniform modules to FIs, RHHIs, DMERCs, and carriers, and these modules are used by the shared

systems in processing Medicare claims. By and large, these modules establish rates (or prices) and processing logic according to type of service.

These modules or programs include the following:

- Those referred to as the PRICERs (there are several PRICERs, such as an inpatient PRICER, an outpatient PRICER, and so on);

- OCE (Outpatient Code Editor);

- MCE (Inpatient Code Editor); and

- GROUPER, which translates variables such as age, diagnosis, and surgical codes into a diagnosis related group (DRG).

In addition, fee schedules and codes are supplied by CMS in the form of downloadable files which are used by the shared systems in processing Medicare claims.
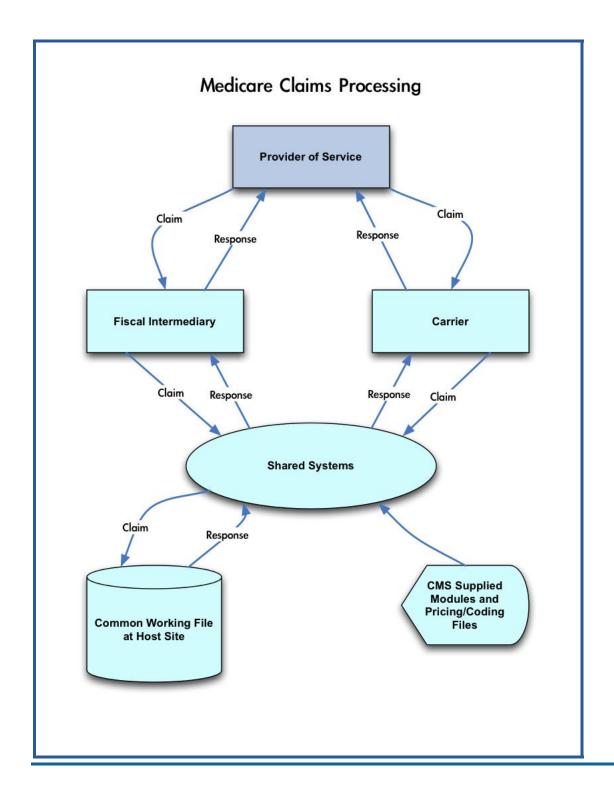
Some of these files include: MPFSDB (Medicare Physician Fee Schedule) and its various forms; DMEPOS (Durable Medical Equipment, Prosthetics, Orthotics, and Supplies Schedule); Ambulance Fee Schedule; and HCPCS (Health Care Common Procedure Codes).

Common Working File (CWF)

The CWF contains information about all Medicare beneficiaries. The shared systems interface with the CWF to verify beneficiaries' entitlement to Medicare, deductible status, and benefits available, such as lifetime reserve days. The CWF actually approves payment of each claim. Under CWF, Part A and Part B data for each beneficiary is combined into a single, common working file.

Medicare Claims Processing