Attention: Facilities

Federal Employee Program (FEP) Claims Processing:
Omnibus Budget Reconciliation Act of 1990

Are you familiar with the way benefits are paid under the Federal Employee Health Benefit Program (FEHBP) when it comes to Medicare Part A and Part B? Many are not so we’d like to explain how they are paid.

The Omnibus Budget Reconciliation Act of 1990 (OBRA ’90) was passed to reduce the federal deficit through a number of changes to federal laws and programs. One aspect OBRA ’90 changed how benefits are paid under the FEHBP in relation to Medicare Part A benefits.

Under OBRA ’90, benefit payments are limited for certain facility services provided to people who receive an annuity (annuitants) age 65 or older who are not covered under Medicare Part A. An FEHBP plan, including the FEP, is required to limit the claim payment in this case to the lesser of the amount equivalent to the Medicare Part A payment or the billed charges. The provider’s contracting status with Medicare determines the maximum amount for which the annuitant can be billed. Providers who have signed participation agreements with Medicare may not bill annuitants for any amount over the Medicare fee schedule amount; nonparticipating Medicare providers may not charge more than the limiting charge.

For OBRA ’90 Part A, the Medicare allowed amount will apply if there is an equivalent Medicare allowable amount for the service. If there is no Medicare equivalent, the Florida Blue allowance will apply. Some services, such as laboratory, ambulance, and durable medical equipment, are not subject to OBRA ’90 pricing. The OBRA ’90 payment requirements do not apply to active employees.

Note: Florida Blue reports claims payments to OBRA on the remittance advice (N6 RARC code) which includes, “Under FEHB law (5.U.S.C 8904B), we cannot pay more for covered care than the amount Medicare would have allowed if the patient were enrolled in Medicare Part A. This law prohibits the provider from billing the patient more than any coinsurance or deductible for which they are responsible.”

If you have questions, contact the FEP Customer Service department at 1-800-333-2227 for a further explanation of how OBRA ’90 claims are processed.