



Related MLN Matters Article #: SE0605

Date Posted: January 25, 2006

Related CR #: NA

Explanation of Systems Used by Medicare to Process Your Claims

Key Words

SE0605, systems, process, claims

Provider Types Affected

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

Key Points

- Frequently, *MLN Matters* articles reference Medicare systems and this article will explain what those systems are by providing a high-level overview of the software systems Medicare uses to process claims.
- 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), also collectively referred to as Medicare contractors.
- Using certain systems, known within the Centers for Medicare & Medicaid Services (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.

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 by applying 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.

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.
- 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

- CMS supplies other uniform modules used by the shared systems in processing Medicare claims to FIs, RHHIs, DMERCs, and carriers.
- 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).
- Fee schedules and codes (listed below) are also supplied by CMS in the form of downloadable files which are used by the shared systems in processing Medicare claims:
 - 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.
- 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.

Important Links

<http://www.cms.hhs.gov/MLNMattersArticles/downloads/SE0605.pdf>