Iowa Medicaid
Iowa HHS

# Policy Clarification #PC000302
# Commercial Lesser of Logic

November 14, 2025

To: Iowa Medicaid Managed Care Plans

This letter is a formal notification of the Department's expectations related to the operations and implementation of Iowa Medicaid under the managed care program.

Purpose of this communication (check all that apply):

☐ Provide formal guidance
☒ Clarification of existing Iowa Medicaid policy
    Federal mandate: [cite CFR]
    Iowa Code: [cite section]
    Iowa Administrative Code: [cite IAC]
    Managed Care Contract (if applicable):
        J.4 – Third Party Liability (TPL) Activities
        J.4.11 – Lesser of Logic
☐ Guidance on new process or policy
☐ Replacement of prior PC: [PC #]

The purpose of this letter is to provide clarification on the Managed Care Organization (MCO) contract section J.4.11 Lesser of Logic.

Iowa Medicaid is updating the requirements when coordinating benefits to ensure the total reimbursement for Medicare Part A, Part B and commercial claims are limited to the Medicaid reimbursement.

The changes will be effective for Claims received by MCOs on or after **December 1, 2025**, for the IA Health Link (MCO) claims. This logic has been applied to **Medicare claims since July 1, 2017**, and will be extended to **commercial claims effective**

**December 1, 2025**, for IA Health Link (MCO) claims received by MCOs on or after that date.

Iowa Medicaid will coordinate benefits with Medicare and Commercial insurance based on the lesser of logic of the following:

1. The cost sharing (deductible and/or coinsurance) that, absent Medicaid eligibility, would have been owed by the beneficiary, or
2. The difference between the sum of what primary insurance and all other third-party insurers paid and the Medicaid fee for the same services or items.

The financial responsibility of Iowa Medicaid for covered services is determined based on payments made by Medicare and other third-party insurers', not on the provider's billed charge.

This applies when the payment made by Medicare and/or commercial insurer equals or exceeds what Medicaid would have paid if Iowa Medicaid were the sole payer.

**Coordination of Benefits**

Coordination of Benefits (COB) applies to Medicaid members who also have coverage through Medicare and/or commercial insurance. Under Federal law, all other available third-party resources, known as third party liability, have the legal obligation to pay claims before Medicaid. As a result, Medicaid is the payer of resort, paying only after other responsible parties have met their obligations.

Medicaid is not the primary payer and should only make payments up to the Medicaid allowable amount for a covered service. This means the combined payments from the primary insurance and Medicaid must not exceed 100% of Medicaid's allowable amount.

Example 1: Medical claim with no member responsibility

| | |
|---|---|
| Actual charge by Provider | $ 200.00 |
| | |
| Allowable amount by Primary Payor | $ 75.00 |
| Amount paid by Primary Payor | $ 75.00 |
| Copay, Coinsurance, Deductible | $ 0.00 |
| | |
| Amount allowed by Medicaid | $ 100.00 |
| Amount paid by Medicaid | $ 0.00 |

Example 2: Medical claim with member responsibility

| | |
|---|---|
| Actual charge by Provider | $ 200.00 |
| | |
| Allowable amount by Primary Payor | $ 75.00 |
| Amount paid by Primary Payor | $ 65.00 |
| Copay, Coinsurance, Deductible | $ 10.00 |
| | |
| Amount allowed by Medicaid | $ 100.00 |
| Amount paid by Medicaid | $ 10.00 |

Example 3: Inpatient hospital claim

| | |
|---|---|
| Actual charge by Provider | $ 21,000.00 |
| | |
| Allowable amount by Primary Payor | $ 12,000.00 |
| Amount paid by Primary Payor | $ 8,000.00 |
| Copay, Coinsurance, Deductible | $ 4,000.00 |
| | |
| Amount allowed by Medicaid | $ 14,000.00 |
| Amount paid by Medicaid | $ 4,000.00 |

Example 4: Outpatient claim where TPL paid more than the Medicaid Allowed amount and Medicaid paid $0.

| | |
|---|---|
| Total actual charge by Provider | $ 2,600.00 |
| | |
| Allowable amount by Primary Payor | $ 1,600.00 |
| Amount paid by Primary Payor | $ 1,290.00 |
| Copay, Coinsurance, Deductible | $ 325.00 |
| | |
| Amount allowed by Medicaid | $ 240.00 |
| Amount paid by Medicaid | $ 0.00 |

For information regarding Lesser of Logic and Medicare, please reference IL 2157.

Related to this Policy Clarification:

- Effective date of this Policy Clarification: Claims received by MCOs on or after 12/1/2025
- Claims processing requirement:
  - ☐ Prospective
  - ☐ Retroactive
  - ☒ Not applicable

Attestation:

I hereby acknowledge receipt and understanding of this policy clarification, including all specified requirements and deadlines.

Name_____ Date_____

The department will monitor progress towards implementation and may impose remedies for failure to implement.

Sincerely,

Contract Manager
Managed Care Contract Manager