Coordination of Benefits Transactions Basics

What is a Health Care Transaction?

A health care transaction is an exchange of information between two parties to carry out financial or administrative activities. When electronic transactions are used effectively in health care, they:

- Increase efficiencies in operations
- Improve the quality and accuracy of information
- Reduce the overall costs to the health care system

Widespread use of Healthcare Insurance Portability and Accountability Act of 1996 (**HIPAA) adopted transactions**—where everyone uses the same language, format, and code sets—can lead to substantial savings across the health care industry. To realize these benefits, however, all organizations need to be using the same adopted standards for their transactions.

Coordination of Benefits

A **coordination of benefits (COB) transaction** is a transmission from any entity to a health plan to determine payment responsibilities for health care claims or payment information. This transaction is used when a patient is covered by multiple health plans. The health plans coordinate to determine which insurers will cover the costs of a patient's care and in what order claim payments will be made.

Adopted Standard

As part of **Administrative Simplification**, HHS adopted the X12N 837 standard for coordination of benefits. This standard applies to all **HIPAA-covered entities**—health plans, clearinghouses, and providers. The 837 standard supports two options for conducting COB transactions: either between health plans and other payers, or from health care providers to health plans. Health plans are required to accept COB transactions from covered entities with which they have a trading partner agreement.

For pharmacy-related coordination of benefits transactions, HHS adopted the National Council for Prescription Drug Programs (**NCPDP**) Telecommunications Standard Version D.0, Batch Standard Version 1.2. This standard also applies to all HIPAA-covered entities.

Visit the **coordination of benefits page** of the **CMS Administrative Simplification website** to learn more.