CMS Manual System

Pub. 100-16 Medicare Managed Care

Department of Health & Human Services (DHHS)
Centers for Medicare & Medicaid Services (CMS)

Transmittal 125 **Date: February 10, 2017**

SUBJECT: Update of Chapter 1

I. SUMMARY OF CHANGES: The chapter reflected outdated guidance from a year ago indicating that certain Medicare Cost plans in areas where there is adequate competition from Medicare Advantage plans could not renew beginning in contract year 2017. Because of new legislation, non-renewal of cost plans affected by competition is being delayed and such plans can continue to operate through 2018.

NEW/REVISED MATERIAL - EFFECTIVE DATE: February 10, 2017
IMPLEMENTATION DATE: February 10, 2017

Disclaimer for manual changes only: The revision date and transmittal number apply to the red italicized material only. Any other material was previously published and remains unchanged. However, if this revision contains a table of contents, you will receive the new/revised information only, and not the entire table of contents.

II. CHANGES IN MANUAL INSTRUCTIONS: (*N/A if manual not updated.*)
(R = REVISED, N = NEW, D = DELETED) – (Only One Per Row.)

R/N/D	CHAPTER/SECTION/SUBSECTION/TITLE
R	1/40.1/Medicare Cost Plans

III. FUNDING: No additional funding will be provided by CMS; contractor activities are to be carried out within their operating budgets.

IV. ATTACHMENTS:

	Business Requirements
X	**Manual Instruction**
	Confidential Requirements
	One-Time Notification
	Recurring Update Notification

***Unless otherwise specified, the effective date is the date of service.**

40.1 - Medicare Cost Plans
(Rev.125, Issued: 02-10-17, Effective: 02-10-17- Implementation: 02-10-17)

Medicare cost plans are operated by a legal entity licensed as an HMO in accordance with a cost reimbursement contract under Section 1876 of the Social Security Act and Title 42, Part 417 of the Code of Federal Regulations. Medicare payment to the HMO is based on the reasonable costs of providing services to their enrollees.

Medicare cost plans may enroll both Part A/B as well as Part B only beneficiaries (Section 1876(d) of the Social Security Act). Medicare cost plan enrollees are not restricted to the HMO network for receipt of covered Medicare services (i.e., covered Part A and Part B services may be received through non-HMO plan sources and are reimbursed separately by original Medicare).

Cost plans may offer either Part D or non-qualified prescription drug coverage but may not offer both (42 CFR 417.440(b)). Plan enrollees not electing Part D coverage from the plan, either because the plan does not offer it or because they did not elect it, may enroll in a PDP.

Under Section 1876 (h)(5) of the Social Security Act, no new cost plan contracts are accepted by CMS. CMS will, however, accept and review applications to modify cost plan contracts in order to expand service areas (42 CFR 417.402(b)).

Section 1876(h)(5)(C) of the Social Security Act requires that beginning CY 2016, CMS non-renew cost plans in service areas or portions of service areas in which at least two competing MA local or two MA regional coordinated care plans that meet specified enrollment thresholds are available*. The Medicare Access and CHIP Reauthorization Act of 2015 delays non-renewal of plans affected by the cost plan competition requirements through CY 2018. This means cost plans that would otherwise be non-renewed in all or a portion of a plan's service area as a result of the cost plan competition requirements, will be able to continue to offer the plans through contract year 2018.*

For further information on Medicare Cost plans see *Chapt*er 17 of this manual.