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MEMORANDUM

DATE: January 23, 2007

TO: All Medicare Advantage Organizations Offering Local Coordinated Care Employer/Union-Only Group Waiver Plans (EGWPs)

FROM: Brenda Tranchida
Deputy Director,
Employer Policy and Operations Group

SUBJECT: 2007 Employer Group Waiver – Modification of the 2008 Service Area Extension Waiver Granted to Certain MA Local Coordinated Care Plans

This memorandum provides that CMS has granted a modification of the previously issued 2008 service area extension waiver policy for certain public employers with non-calendar plan years beginning in 2007 under the conditions described below.

On November 13, 2006, CMS granted a waiver of service area requirements for the 2008 contract year to MAOs offering local coordinated care plans (e.g., local PPOs and HMOs) under certain circumstances. Beginning in 2008, the waiver allows a MAO offering a coordinated care plan in a given service area (i.e., state) to extend coverage to an employer or union sponsor's beneficiaries residing outside of that service area when the MAO, either itself or through partnerships with other MAOs, is able to meet CMS provider network adequacy requirements and provide consistent benefits to those beneficiaries. See 2008 Employer Group Waiver Policy – Elimination of the “Nexus” Test for PDPs, Non-Network PFFS and MSA MA plans and Service Area Extension for Certain MA Local Coordinated Care Plans, November 13, 2006.

A MAO (on behalf of itself and a state public retirement system) requested that the above-mentioned 2008 waiver be modified to allow for the use of the service area extension beginning in 2007 for public employers with plan years that operate on the state budget fiscal year cycle (e.g., July 1, 2007 through June 30, 2008). The requestor stated that the modification of the waiver was needed so that this employer group could provide uniform local coordinated care (PPO) benefits to its retirees wherever they reside beginning with the start of the plan year in 2007 and extending into 2008. The public employer has determined that this MA option is the most cost effective way of retaining benefits for its retirees and is precluded from changing its plan benefit year to coincide with the 2008 calendar year except through a statutory change which is not possible in time for the start of their next plan year. Such a modification would allow this public employer to offer a uniform PPO benefit to all of its Medicare eligible members, minimize disruption for beneficiaries in the transition to an MA plan, and provide financial savings. The MAO requestor stated that, consistent with the 2008 waiver policy, it is

able, either itself or through partnerships (i.e., arrangements) with other MAOs, to meet CMS provider network adequacy requirements and provide consistent benefits to these public employer beneficiaries beginning with the start of the public employer's 2007 plan year.

CMS is granting the waiver under the circumstances provided in the waiver request. Thus, beginning with the 2007 contract year, a MAO will be allowed to extend its service area in the same manner outlined in the 2008 service area extension waiver policy referenced above under a specific set of circumstances. Under this modification, for those public employers (i.e., governmental entities) with plan benefit years operating on a fiscal year beginning in 2007, a MAO will be able to offer a coordinated care plan in a given service area (i.e., state) to beneficiaries residing outside of that service area when the MAO, either itself or through partnerships or other arrangements with other MAOs, is able to meet CMS provider network adequacy requirements and provide consistent benefits to those beneficiaries. We believe this waiver is particularly necessary to facilitate the offering of coverage for public employers that may have less flexibility to modify its plan benefit year and the coverage offered because of procedural or contractual requirements (e.g., the public sector legislative process). This waiver of service area restrictions is available to all similarly situated entities meeting the terms of the waiver and will not need to be granted on an individual basis.

Please direct any questions concerning this waiver to Brenda Tranchida, Deputy Director, Employer Policy and Operations Group, at (410) 786-2001 or via email at: Brenda.Tranchida@cms.hhs.gov.