Operational Policy Letter #8

Department Of Health & Human Services

Health Care Financing Administration

Medicare Managed Care

March 1, 1995

COMPARISON CHART: RISK, COST AND HCPPs

Issue:

Some applicants, and other interested parties, are uncertain of the differences among risk contracts, cost contracts and HCPPs.

Operational Policy Question:

What are the different requirements of Medicare risk, cost, and HCPP options, and which is appropriate for a plan interested in contracting with HCFA to provide Medicare managed care services?

Answer:

Managed care plans wishing to provide services to Medicare beneficiaries have three options: Section 1876 risk contracts, Section 1876 cost contracts and Section 1833(a)(1)(A) Health Care Prepayment Plans.

The Office of Managed Care recommends that all organizations interested in contracting with HCFA to provide managed care services to Medicare beneficiaries consider applying for section 1876 risk contracts. Though section 1876 cost contracts are also available from HCFA, only those organizations unable to assume the financial risk inherent in section 1876 risk contracts should consider participating under a cost contracting arrangement.

HCPPs present a third option, but are limited to those plans wishing to provide Part B physician and supplier services only. Moreover, the 1994 amendments to the Social Security Act state that, with the exception of union- and employer-based plans, all HCPPs enrolling new members after December 31, 1995 must comply with the Medigap requirements found in Section 1882 of the Social Security Act.

For a more detailed presentation of the similarities and differences among risk, cost and HCPPs, see the comparative chart attached to this Operational Policy Letter. (Note: The attachment, which was updated in February 1995, contains a number of statutory, regulatory and policy changes, and replaces all previous versions of the chart.)

Contact:
HCFA Regional Office Managed Care Staff For further information and a copy of the comparison chart.