Program Memorandum Intermediaries/Carriers

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

Transmittal AB-02-123 **DATE AUGUST 28, 2002**

CHANGE REQUEST 2206

SUBJECT: Information on Medicare+Choice (M+C) Private Fee-for-Service Plans – INFORMATION ONLY

The purpose of this Program Memorandum (PM) is to provide information on the M+C Private fee-for-service (PFFS) plans that are currently contracting with CMS. It is important that accurate information about M+C PFFS plans is provided to all Medicare beneficiaries and providers.

Sterling Life Insurance Company, Inc. (Sterling) has been offering a PFFS plan to Medicare beneficiaries since July 1, 2000. Humana Inc. has offered a PFFS plan (Humana Gold Choice) since January 1, 2002. We anticipate there may be other PFFS plans that will be offered to Medicare beneficiaries. If you receive questions from providers or beneficiaries regarding PFFS plans you are to handle these questions as those you receive regarding other M+C plans. However, be sure that the scripts and material you use are accurate and distinguish between M+C PFFS plans and M+C coordinated care plans (such as HMOs or PPOs).

- While PFFS plans are M+C plans they are not coordinated care plans (either HMOs or PPOs). You should not refer to PFFS plans as HMOs; they are a special type of M+C plan. Any reference to PFFS plans, as being an HMO will confuse Medicare beneficiaries and providers.

- In contrast to M+C coordinated care plans, M+C PFFS plans will not manage care, rather they function more like indemnity insurance.

- Specifically, members of a PFFS plan are not restricted to a network and can obtain services from any willing provider in the U.S. who is eligible to be paid under Medicare rules. Providers who furnish services to PFFS members are paid by the PFFS plan according to its terms and conditions of payment.

When PFFS claims come to you in error, the common working file will reject them based on the beneficiary's enrollment in an M+C plan and the existing procedures for handling such rejected claims apply. Changes to the MSN and Remittance Advice message will be scheduled for a later release. The processing and payment of claims for PFFS plan members is the responsibility of the PFFS plan and does not involve you or your staff (except for hospice services or, rarely, other services for which you might make payment for an M+C enrollee).

If you receive questions about one of the available PFFS plans direct these questions to the organization that is offering the plan. The following are contact phone numbers for the two PFFS plans currently being offered to Medicare beneficiaries:

Sterling Option I: Provider questions 888-858-8550
Beneficiary questions 888-858-8551

Humana Gold Choice: Provider questions 1-312-441-5056
Beneficiary questions 1-866-464-7932
Claims questions……..1-877-511-5000

General information about PFFS plans, including frequently asked questions and answers, are available on the CMS Web site at: http://www.hcfa.gov/medicare/pffs.htm.

In the following we provide a brief summary of how PFFS plans function. Note that you are not responsible for conveying this information to others. Rather, it is only provided as background to help you understand the unique features of PFFS plans noted above.

The M+C Private Fee-for-Service Option

Beneficiaries enroll in a PFFS as they enroll in any other M+C plan and by doing so receive services through that M+C plan, rather than through original Medicare. PFFS plans require that providers and suppliers send claims for services to the PFFS plan and those claims will be processed and paid by the PFFS plan under the terms of its contract with CMS. Unlike a member of a M+C HMO beneficiaries who enroll in a M+C PFFS plan have the same freedom of choice of providers that they have under original Medicare. That is, they may acquire health care services covered by their PFFS plan from any willing provider or supplier for whom Medicare would pay for such services. Therefore, while the plan may enroll only beneficiaries who reside in the service area of the PFFS plan, the plan members are able to go anywhere in the U.S. to receive services that will be paid for by the PFFS plan.

Like any M+C plan, PFFS plans must furnish all services covered under Part A and Part B of Medicare and may offer additional or supplemental services.

The PFFS enrollment card provides information to the provider or supplier regarding how to acquire the terms and conditions of plan payment, including a toll free phone number, a Web site address, and the address to which the provider or supplier's claims should be sent. Providers and suppliers follow the instructions of the PFFS plans in furnishing services and submitting their claim for payment.

Under 42 CFR 422.114(a)(2)(ii), PFFS plans can demonstrate adequate access to health care services for purposes of the M+C contract by paying amounts that are at least the Medicare payment rate. This is the way the Sterling and Humana PFFS plans have chosen to demonstrate adequate access to health care services. In most cases, this means that these two PFFS plans will pay providers and suppliers the amounts that are derived from the CMS-specified payment methodologies (e.g., DRG payments, physician fee schedule, and clinical laboratory fee schedule). For cases in which there is no prospectively set payment for a Medicare covered service, CMS has approved proxies that result in a payment that is generally equivalent to Medicare payment. For cases in which the provider or supplier disputes the payment made by the PFFS plan, the provider or supplier may furnish documentation of what Medicare has paid for the same item or service to the plan, which will adjust its payment.

Under 42 CFR 422.216(f), any provider or supplier is deemed to have a contract with a PFFS plan if the provider or supplier knows, before furnishing service, that the beneficiary is a PFFS plan member and either knows the terms and conditions of plan payment or has reasonable access to the terms and conditions of plan payment. If the provider or supplier does not meet these criteria, the provider or supplier is a noncontracting provider.

It is the PFFS plan's responsibility to address any questions that arise regarding whether a provider or supplier is a deemed contractor or a noncontracting provider and what payment should be made for the services of the provider or supplier to a plan enrollee.

The *effective and implementation date* for this PM is August 28, 2002.

These instructions should be implemented within your current operating budget. No action is required as a result of this PM.

This PM may be discarded after December 31, 2002.

If you have any questions, contact Mervyn John at (410) 786-1141 or Lisa Little Axe at 214-767-6436.