Program Memorandum

Intermediaries/Carriers

Department of Health and Human Services (DHHS)

HEALTH CARE FINANCING ADMINISTRATION (HCFA)

Transmittal AB-00-45 **Date: MAY 2000**

CHANGE REQUEST 1197

SUBJECT: Award of Medicare+Choice (M+C) Contract to Sterling Life Insurance Co., Inc. for M+C Private Fee-for-Service (PFFS) Plan -- INFORMATION ONLY

The purpose of this Program Memorandum (PM) is to advise you that the Health Care Financing Administration (HCFA) has signed an M+C contract with Sterling Life Insurance Company, Inc. (Sterling) to offer a M+C private fee-for-service plan (PFFS), that is effective July 1, 2000. Sterling will offer an M+C plan called Sterling Option I, under the PFFS option provided by §1851(a)(2)(C) of the Social Security Act (the Act) and described in the M+C regulations at 42 CFR, Part 422. As provided by law, Sterling will be paid by HCFA at the same capitated rate at which HCFA would pay a coordinated care plan (formerly called health maintenance organization or HMO) for providing care to an enrollee in that service area, and Sterling will carry the risk of paying for the care its enrollees require. In contrast to M+C coordinated care plans, M+C PFFS plans will not manage care, rather they will function more like indemnity insurance. Specifically, enrollees in a PFFS plan have the right to obtain care from any licensed provider in the U.S. who can be paid by Medicare and will accept the PFFS plan's terms of payment.

Sterling Option I will offer enrollment to beneficiaries who live in the following States: Alaska, Idaho, Kentucky, Minnesota, Nebraska, New Mexico, Nevada, Oregon, South Dakota, Tennessee, and Utah. Sterling Option I will be offered to beneficiaries who live in specified rural counties in the following States: Arkansas, Louisiana, Mississippi, Ohio, Texas, and West Virginia.

We are in the midst of roll-out activities with the provider/supplier and beneficiary communities regarding enrollment, coverage and payment under Sterling Option I. We expect these activities to result in questions about Sterling Option I being directed to Sterling, rather than improperly being directed to you. However, we appreciate your patience during the introduction of this new M+C product, and we know that we can rely upon your staff's professionalism. If you receive inquiries from providers or beneficiaries about the Sterling PFFS plan, you are to handle these questions as those you receive regarding other M+C plans.

In the following material, we provide a brief summary of how PFFS plans function. HCFA will also provide additional materials on PFFS plans on the HCFA Web site.

The M+C Private Fee-for-Service Option

Beneficiaries will enroll in a PFFS plan as they would enroll with any other M+C plan and by doing so, choose to receive services through that M+C plan, rather than through original Medicare. We expect that, as with Sterling Option I, PFFS plans will 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 HCFA.

Beneficiaries who enroll in a PFFS plan have the same freedom of choice of providers that they have under original Medicare. That is, they may acquire health care services from any 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 plan, the beneficiaries are able to go anywhere in the U.S. to receive covered services. Like any M+C plan, PFFS plans must furnish all services covered under Part A and Part B of Medicare and may offer other additional or supplemental services. Beneficiaries may contact Sterling at 1-888-858-8572.

In the case of the Sterling Option I plan, the 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 (1-888-858-8550), a Web site address (www.SterlingPlans.com), and the address to which the provider or supplier's claims should be sent. Under the Sterling Option I plan, providers and suppliers are to prepare claims in the same manner and follow the same instructions they would follow in preparing claims for submission to original Medicare, except the claims must be sent to Sterling (via paper or electronic filing). Where 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 rejects apply. The processing and payment of the claim for plan enrollees is between the PFFS plan and the provider or supplier of service, 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).

Under §1852(d)(4)(A) of the Act and 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 Sterling has chosen to demonstrate adequate access to health care services under Sterling Option I. In most cases, this means that the PFFS plan will pay the amounts that are derived from the HCFA specified payment methodologies (e.g., DRG payments, physician fee schedule, clinical laboratory fee schedule). For cases in which there is no prospectively set payment for a Medicare covered service, HCFA 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 Sterling Option I, 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.

Be aware of the law's provisions governing "deemed contracting." Under §1852(j)(6) of the Act and 42 CFR 422.216(f), any provider or supplier is deemed to have a contract with the PFFS plan if the provider or supplier knows, before furnishing the service, that the beneficiary is a PFFS plan enrollee 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. In some cases, noncontracting providers or suppliers may be paid more than deemed contracting providers or suppliers and therefore, their status may be an issue to affected providers or suppliers. It is the PFFS plan's responsibility to address any questions that arise regarding whether the provider or supplier is a deemed contractor or a noncontractor and/or what payment should be made for the services of the provider or supplier to a plan enrollee.

The *effective date* for this PM is July 1, 2000.

The *implementation date* for this PM is July 1, 2000.

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 July 1, 2001.

If you have any questions, contact Mervyn John at (410) 786-1141.