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Bulletin No. 98-03

TO: Commercial Insurers, Health Maintenance Organizations, and Blue Cross and Blue Shield of Massachusetts

FROM: Commissioner Linda Ruthardt

RE: Benefits in Medicare + Choice Plans During 1999

DATE: April 17, 1998

The purpose of this bulletin is to address the issue of benefits to be contained in Medicare + Choice plans to be offered in Massachusetts for coverage effective January 1, 1999 through December 31, 1999. The Medicare + Choice program is established by Sections 1851 through 1859 of the federal Social Security Act, which were added by the federal Balanced Budget Act of 1997 (BBA 97).

Section 1856(b) of the Social Security Act requires the federal Secretary of Health and Human Services (HHS) to publish regulations regarding standards (other than for provider-sponsored organization solvency) for Medicare + Choice organizations and plans by June 1, 1998. Section 1856(b)(3) addresses the relationship between these standards and state law. In addition, the Health Care Financing Administration (HCFA) issued Medicare Managed Care Operational Policy Letter # 66 on March 26, 1998, which appears to state that current Medicare "risk contractors" that are making an ACR filing for a Medicare + Choice plan by May 1, 1998 will not be required during 1999 to adhere to requirements that may be contained in the forthcoming federal regulations regarding Medicare + Choice standards.

The Division of Insurance (Division) is continuing to study BBA 97 and its effect, if any, on state benefit requirements. The Division believes that the market for health insurance for Medicare-eligible people will be best served by carriers continuing to offer in Medicare + Choice plans during 1999 at least the same benefits that are currently required under Massachusetts law for Medicare HMO plans with risk and cost contracts. The Division further believes that continuing these benefits during 1999 will not violate federal law and will assure conformance with applicable Massachusetts law.

Any questions regarding this bulletin may be directed to Kevin Beagan, Director, Health Unit, State Rating Bureau, Division of Insurance at (617) 521-7347.