

# **Operational Policy Letter #10**

**Department Of Health & Human Services**

**Health Care Financing Administration**

**Medicare Managed Care**

**May 25, 1995**

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## **HCPP COMPATIBILITY WITH MEDIGAP**

### **Issue:**

The 1994 Amendments to the Social Security Act (the Act) end the current HCPP exemption to provisions found in Section 1882 of the Act. (Section 1882 is also known as the "Medigap" statute.)

The 1994 Amendments apply to all HCPPs that would enroll individual Medicare beneficiaries on or after January 1, 1996. Group HCPP enrollees (i.e., those enrollees joining an HCPP as part of a union- or employer-based plan) will remain exempt from Section 1882 requirements.

### **Operational Policy Question:**

Is HCFA's Office of Managed Care willing to explore the feasibility of reconciling its authority to contract with HCPPs under Section 1833(a)(1)(A) of the Social Security Act (the Act) with the incompatible provisions in Section 1882 of the Act and the National Association of Insurance Commissioners (NAIC) model standards?

### **Answer:**

It is not clear to the Office of Managed Care (OMC) that HCPPs with individual enrollees are capable of meeting either the Medigap requirements found in Section 1882 or the NAIC model standards. As a matter of operational policy, OMC will not process any new HCPP applications (with the exception of union- and employer-based plans) until the applicant has met all state Medigap requirements. Please consult the Department of insurance in your state to determine what these Medigap requirements are.

Note that OMC urges all current and applicant HCPPs to consider section 1876 risk or cost contracts rather than section 1883 HCPP agreements. This preference applies both to HCPPs enrollees that were "grandfathered" under the 1994 Amendments and the union- and employer-based plans that remain exempt from Medigap compliance. HCFA prefers

sections 1876 contracts because they provide beneficiaries, providers and the Medicare program with protections that are unavailable under section 1833.

Additionally, though section 1876 risk and cost contracts are both available from HCFA, only those organizations unable to assume the financial risk inherent in section 1876 risk contracts should consider participating under a section 1876 cost contracting arrangement.

Contact:

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