



BETTER BENEFITS – MORE CHOICES

Good News about the Medicare Prescription Drug, Improvement and Modernization Act of 2003!

Extension of Reasonable Cost HMO and CPO Contracts under the Medicare Modernization Act

- ❖ The Medicare Prescription Drug, Improvement, and Modernization Act of 2003 (MMA) **extends the current reasonable cost contract option through December 31, 2007.**

- ❖ Health plans reimbursed on the basis of reasonable cost may continue to serve Medicare beneficiaries after December 31, 2007, in areas not served by two local health plans or two regional health plans. Therefore, the cost contract risk-based option will no longer be available in areas that have at least 2 Medicare Advantage (MA) regional plans or at least 2 MA local plans that meet minimum enrollment requirements of at least 5,000 enrollees in most urban areas and at least 1,500 enrollees in other areas. Cost contracts have been an attractive option for beneficiaries particularly in rural areas, who have not had other plan choices.

- ❖ Reasonable Cost: Fiscal intermediaries (FIs) and carriers use CMS guidelines to determine reasonable costs incurred by individual providers in furnishing covered services to enrollees. Reasonable cost is based on the actual cost of providing such services, including direct and indirect costs of providers, and excluding any costs that are unnecessary in the efficient delivery of services covered by a health insurance program.