



Center for Medicaid and State Operations
Disabled and Elderly Health Programs Group (DEHPG)

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SUBJECT: Medicaid Obligations for Cost-Sharing in Medicare Part C Plans

TO: All Associate Regional Administrators
Division of Medicaid and Children's Health

Many questions have been raised by States, providers and Medicare Part C plans regarding Medicaid's obligation to pay cost-sharing for individuals who are eligible for both Medicare and Medicaid (dual eligibles) and who are enrolled in Medicare Part C, i.e. Medicare Advantage (MA) plans. Over the years CMS has issued guidance on various aspects of this question; however there has been no single document that brings this guidance together. The purpose of this memorandum is to provide a compilation of pertinent information found in statute, regulation and guidance in a concise format.

Dual eligibles are individuals enrolled in Medicare and eligible for Medicaid coverage, whether that Medicaid coverage is limited to certain costs, such as Medicare premiums, or the full benefits covered under the State Plan. Dual eligibles whose benefits are limited include Qualified Medicare Beneficiaries (QMB), Specified Low-income Medicare Beneficiaries (SLMB), Qualifying Individuals (QI), and Qualified Disabled Working Individuals (QDWI). Those eligible for full Medicaid benefits are called Full Benefit Dual Eligibles (FBDE). At times individuals may qualify for both limited coverage of Medicare cost sharing as well as full Medicaid benefits.

MA plans are health plan options approved by Medicare and run by private companies. These plans must provide all Part A and Part B services, and may offer additional services including Part D drug coverage. MA plans include Medicare Preferred Provider Organizations (PPO), Medicare Health Maintenance Organizations (HMO), Medicare Private Fee-for-Service (PFFS) plans, Medicare Medical Savings Account (MSA) plans and Medicare Special Needs Plans (SNP).

Medicare cost-sharing includes Part A and B premiums and Part C premiums for those enrolled in an MA plan. Medicare cost sharing also includes deductibles, co-insurance and, for MA plans, may include co-pays. Deductibles are fixed dollar amounts that an individual must pay out-of-pocket before the costs of services are covered. Co-insurance is a percentage of the cost of services. Co-payments are fixed dollar amounts that an individual must pay each time a service is received.

Several factors determine whether or not Medicaid is liable for coverage of cost-sharing in MA plans. These factors include the dual eligible's coverage category, the type of cost-sharing, the options elected by the State, and payment limitations specified in the State Plan. The attached chart is intended to clarify how these factors affect whether or not the State Medicaid program has a liability for cost-sharing for dual eligibles in MA plans.

The information presented in this policy clarification is not intended to address all issues related to Part C cost-sharing for dual eligibles. This clarification is limited to State Medicaid program cost-sharing obligations, and does not address issues related to provider billing practices or beneficiary obligations.

Please share this information with the States in your regions. If you have any questions regarding this memorandum, please contact Christine Gerhardt at 410-786-0693, or christine.gerhardt@cms.hhs.gov.

Attachment