



MEDICARE DRUG & HEALTH PLAN CONTRACT ADMINISTRATION GROUP

DATE: February 6, 2015

TO: All Medicare Advantage Organizations

FROM: Kathryn A. Coleman
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SUBJECT: CMS Guidance to Medicare Advantage Organizations (MAOs) Requesting Contract Consolidations for the Same Product Types in Contract Year (CY) 2016

This notice provides guidance to Medicare Advantage Organizations (MAOs) seeking to consolidate contracts of the same product type under the same legal entity for CY 2016. CMS encourages MAOs operating more than one Medicare Advantage (MA) or Medicare Advantage Prescription Drug (MA-PD) contract of the same product type under the same legal entity to consolidate these contracts under a single contract ID¹. MA Product types include:

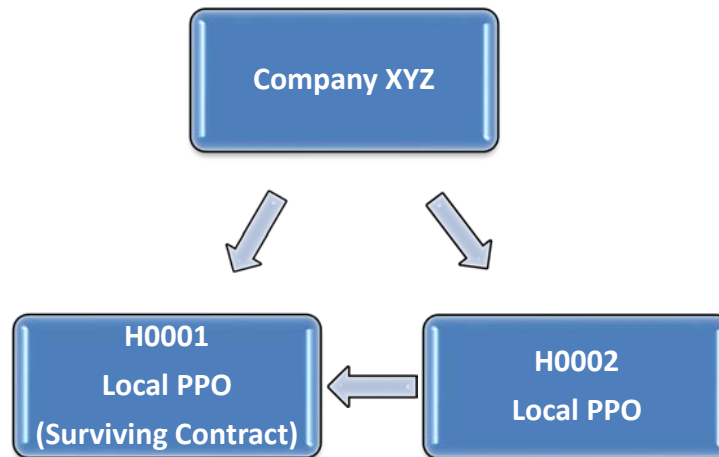
- MA-PD Health Maintenance Organization (HMO)/Health Maintenance Organization Point of Service (HMOPOS)
- MA-PD Local Preferred Provider Organization (PPO)
- MA-PD Regional PPO
- MA-PD Provider Sponsored Organization (PSO)
- MA-PD Private Fee-For-Service (PFFS) (with Part D)
- MA Only – PFFS
- MA Only – Medical Savings Account (MSA)
- Employer/Union Direct Contract PFFS no Part D
- Employer/Union Direct Contract PFFS with Part D
- Employer/Union Direct Contract MA-PD Local Preferred Provider Organization (LPPO)

As a reminder, CMS does not permit the consolidation of different product types under a single contract ID. CMS only permits a consolidation of contracts of the same product type when those contracts are held by the same legal entity. For example, if Company XYZ is the legal entity that holds two local PPOs (H0001 and H0002), then CMS would consider a request to consolidate these contracts. Company XYZ could request that contract H0002 be consolidated with contract

¹Please note this contract-level consolidation is separate from an MAO's request to consolidate individual plan benefit packages (PBPs) within a contract.

H0001, selecting H0001 as the "surviving contract" from the consolidation as shown in Figure 1 below.

Figure 1: Example of Allowable Consolidation



However, if Company XYZ holds one Local PPO contract and one HMO/HMOPOS contract, CMS would not permit the consolidation of these distinct product types.

If an MAO wishes to consolidate two contracts of the same product type held by separate legal entities, the MAO should contact CMS to inquire about a contract novation. For more information about change of ownership transactions and novations please see Chapter 12 of the Medicare Managed Care Manual located at: <http://www.cms.gov/Regulations-and-Guidance/Guidance/Manuals/Downloads/mc86c12.pdf>.

CMS requests that an MAO seeking to consolidate multiple contracts under the same legal entity submit a formal request to CMS on plan letterhead in PDF format, which identifies:

- The reason the MAO is seeking to consolidate contracts,
- How the MAO came to operate more than one contract of the same plan type (e.g. different service areas, acquisitions, etc.), and
- Any pending applications under the contracts.

In addition, the MAO shall complete the Service Area Consolidation excel template provided with this memo that identifies:

- The contract(s) to be consolidated,
- The contract ID into which the MAO wishes to consolidate the contract(s), or the “surviving contract”;
- The service area covered by the contracts;
- The plan types under the contracts (e.g. employer group waiver plans, SNP plans)².

² Separate tabs exist within the excel spreadsheet to identify the plan type under the contract.

The MAO shall submit this completed excel template as an attachment to the formal PDF request discussed above.

The MAO(s) shall submit its consolidation request to CMS by **6:00 PM EST** on **April 15, 2015** at the following mailbox: <https://dmao.lmi.org>. Once you are in the mailbox, please select the MA Application tab. In the Issue box, please enter the words “Contract Consolidation.” CMS intends to notify the MAO(s) regarding the approval or denial of their request in advance of the bid submission deadline.