

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard,
Baltimore, Maryland 21244-1850



Health Plan Benefits Group
Center for Beneficiary Choices

DATE: March 12, 2004

TO: Medicare Cost Plans

FROM: Cynthia Moreno /s/
Acting Director

SUBJECT: Service Area Expansion for Section 1876 Cost Plans

As you know, the Medicare Modernization Act of 2003 (MMA) amended Section 1876(h)(5) of the Social Security Act to allow CMS to extend or renew all reasonable cost contracts beyond the previous limit of December 31, 2004. MMA also provides that, for any period beginning on or after January 1, 2008, CMS may not extend or renew a reasonable cost contract for a service area if (a) during the entire previous year there were either two or more MA regional plans or two or more MA local plans in the service area and (b) these regional or local plans meet minimum enrollment requirements.

In keeping with these statutory provisions, CMS will accept service area expansion applications from Section 1876 cost contractors if they are submitted on or before September 1, 2006. Thereafter, service area expansion applications will be accepted only when there are **not** two or more MA regional plans or two or more MA local plans in the applicant's service area that meet minimum enrollment requirements.

If you have questions about this notice, please contact Mary McLean at 410-786-7815. If you are interested in submitting a service area expansion application, please contact your Regional Office Plan Manager.