



DEPARTMENT OF HEALTH & HUMAN SERVICES
Health Care Financing Administration

Center for Medicaid and State Operations
7500 Security Boulevard
Baltimore, MD 21244-1850

December 17, 1997

Dear State Medicaid Director:

This letter is one of a series that provides guidance on the implementation of the Balanced Budget Act (BBA) and addresses the provision relating to specification of benefits in Medicaid managed care plans. Section 4704(a) added section 1932(b)(1) to the Social Security Act (the Act). This provision requires each contract with a managed care entity (MCE) under section 1903(m) or under 1905(t)(3) to specify the benefits for which the entity is responsible for providing or arranging.

This provision is intended to protect beneficiaries by ensuring there is no ambiguity concerning the range of Medicaid-covered services that will be available to them under the contract. To achieve this result, each contract must include a description of benefits that identifies and defines all Medicaid services to be made available by the MCE. The contract terminology should be drafted with sufficient precision so that the MCE will be responsible for providing these Medicaid services to the same degree as the services are covered under your State plan. At a minimum, this means that service definitions should comply with all Federal and State plan requirements. For each Medicaid service, the contract should specify the amount, duration, and scope of services that the managed care organization must offer. It is important for the contract to be very specific about the exact services which the MCE must provide since you are responsible for all benefits in the State plan not offered by the MCE. Finally, the contract must include provisions that address the responsibility of the MCE to furnish care and services when medically necessary in sufficient detail to ensure that beneficiaries receive needed services to which they are entitled under the contract.

If you have any questions, please contact Rob Weaver at 410-786-5914.

Sincerely,

/s/

Sally K. Richardson

Director

Center for Medicaid and State Operations

cc: All HCFA Regional Administrators All HCFA Associate Regional Administrators for Medicaid and State Operations
Lee Partridge - American Public Welfare Association Joy Wilson - National Conference of State Legislatures Jennifer
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