



DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services

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

February 20, 1998

Dear State Medicaid Director:

This letter is one in a series that provides guidance on the implementation of the Balanced Budget Act of 1997 (BBA). The BBA contains numerous provisions relating specifically to managed care. In order to provide guidance on these as quickly as possible, we are issuing a number of managed care policy letters. (List of those already issued is attached). This letter is the thirteenth in the managed care series.

The purpose of this letter is to provide initial guidance to States on changes regarding grievance procedures for eligible enrollees. This guidance is associated with section 4704(a) of the BBA which creates section 1932(b)(4) of the Social Security Act.

Under current federal regulations, Medicaid health maintenance organizations must have internal grievance procedures that provide for prompt resolution, are approved by the State, and assure that individuals with authority to require corrective action are involved in the process. In addition, Medicaid law requires States to provide enrollees with a fair hearing process.

The new law requires managed care organizations (MCOs) to establish internal grievance procedures which permit an eligible enrollee, or a provider on behalf of an enrollee, to challenge the denials of coverage of medical assistance or denials of payment for medical assistance. It is important to note that this provision refers to internal MCO grievance procedures and does not supersede or substitute for the State fair hearing process.

Note that this law does not prohibit any current provider rights to challenge MCO decisions (on other than enrollee-specific issues) as set forth in MCO contracts or State law. In addition, it does not bestow additional appeal rights on providers other than the right mentioned for enrollees. Any challenges brought by providers on behalf of enrollees must have enrollee consent.

A framework for these procedures will be implemented through a formal rulemaking process later this year. Until HCFA promulgates the rule, managed care organizations should continue to operate their existing internal grievance procedures as required prior to the BBA.

If you have any questions regarding the information in this letter or the BBA provision relating to grievance procedures, contact Nicole Martin at 410-786-1068 or by e-mail at nmartin3@hcfa.gov.

Sincerely,

/s/

Sally K. Richardson Director

Center for Medicaid and State Operations

Attachment

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 Baxendell - National Governors Association

HCFA Press Office

BBA MANAGED CARE STATE LETTERS

Section Subject Date Issued

4701 SPA Option for Managed Care 12/17/97

4704(a) Specification of Benefits 12/17/97

4707(a) Marketing Restrictions 12/30/97

4704(a) Miscellaneous Managed Care Provisions 12/30/97 4704(b) 4706 4707(a) 4707(c) 4708(b) 4708(c)
4708(d) 4701 Choice, MCE Definition, Repeal of 75/25, 1/14/98 4703 and Approval Threshold 4708(a) 4705
External Quality Review 1/20/98 4704(a) Mental Health Parity 1/20/98 4701(a) Enrollment, Termination, and
1/21/98 Default Assignment 4702 PCCM Services Without Waiver 1/21/98 4707(a) Sanctions for
Noncompliance 2/20/98 4701(a) Provision of Information & Effective Dates 2/20/98 4710(a) 4704(a)
Emergency Services 2/20/98