

2006 Employer/Union-Only Regional PPO (RPPO) Plan Service Area Waiver Guidance

June 23, 2005

Employer/union-only Regional PPO (RPPO) group plans are subject to the same service area rules as for other Regional MA plans. Thus, an MA organization offering employer/union-only group plans would be limited to providing coverage to an employer's or union's retirees that reside within the MA region where the plan is licensed and where the plan offers non-group coverage.

CMS has indicated that it would allow entities applying to sponsor employer/union-only group plans to request that we waive requirements beyond those already waived in CMS guidance, under the waiver authority outlined in section 1857(i) and 1860D-22(b) of the Social Security Act. This waiver authority states that CMS may waive or modify requirements that "hinder the design of, the offering of, or the enrollment in" an employer-sponsored group prescription drug plan. *See also* 42 CFR 422.106(d) and 42 CFR 423.458(c). Waivers apply to all similarly situated entities meeting the conditions of the waiver.

For 2006, CMS will grant a request that was received for a waiver of the service area requirements which will allow employer/union-only RPPOs to extend coverage beyond the normal service area to all retirees of a particular employer or union group, regardless of where they reside in the nation. This waiver applies when the most substantial portion of the employer's employees (or in the case of a union, participants) reside in an MA region where the RPPO plan is a provider of non-group coverage.

While nationwide coverage will be available for any employer/union groups meeting the waiver requirements, RPPO coverage will only be available in the plans' RPPO non-group MA region(s). In all other areas throughout the country, the following employer-only MA plan options may be used to cover employer/union group members:

- Local Health Maintenance Organization Point of Service (HMOPOS) plans can be offered in any areas where the MA organization has local contracted Medicare provider networks and the plan is a provider of non-group coverage; and/or
- A non-network Private Fee-For-Service (PFFS) plan can be offered. This option will not require a contracted network of providers for A/B benefits, however this option will require pharmacy networks for the Part D benefit (if offered).

Each of these alternative benefit offerings can be designed to closely match the cost sharing of the employer/union-only group RPPO plan so that the difference between offerings is as seamless as possible to retirees.

By June 15, 2005, RPPO employer/union-only group plans were required to submit bids for all MA region(s) where the plan is a provider of non-group coverage. By July 1, 2005, Local HMOPOS and/or PFFS bids must be submitted to cover all other areas in accordance with this waiver guidance. For any counties in the nation which contain local

contracted provider networks and non-group coverage is offered, one “national” employer Local HMOPOS bid may be submitted. One “national” employer PFFS bid may be submitted to cover all remaining areas. Please be aware that retirees can only be covered in areas where a corresponding bid has been submitted. No mid-year service area expansions will be allowed in 2006. Therefore, a “national” bidding approach allows plans meeting the requirements of the waiver to cover retirees in any area of the country during 2006.