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**MEMORANDUM**

**DATE:** February 10, 2011

**TO:** Medicare Advantage Organizations (MAO) and MA Employer/Union-Sponsored Group Health Plans

**FROM:** Danielle R. Moon, J.D., M.P.A., Director  
Medicare Drug & Health Plan Contract Administration Group

**SUBJECT:** Issuance for Public Comment of Draft Update to Chapter 4 of the Medicare Managed Care Manual

Included with this memorandum is a revised draft of Chapter 4 of the Medicare Managed Care Manual, “Benefits and Beneficiary Protections.” We are releasing this draft revision to obtain public comments, which we will consider carefully before finalizing the update for contract year 2012 later this year.

This proposed revision to Chapter 4 includes new guidance for MA organizations and MA employer/union-sponsored group health plans that would be effective for contract year 2012. We note that the final revision of Chapter 4 for contract year 2012 will include new guidance from the final 2012 Call Letter, as well as any new regulatory requirements finalized for contract year 2012. We propose new guidance or clarifications of current guidance in the following areas:

- A clarification that, while MA plans must pay for all Part B drug or DME items covered under Original Medicare, they may restrict access – for each covered Part B drug or DME item – to certain manufacturers’ drugs and/or DME items, provided these drugs and/or DME items are accessible to plan enrollees through all contracted network providers (section 10.2);
- A reference to the new DMEPOS competitive bid requirements (section 10.2);
- The requirements for SNF admission based on inpatient stays across calendar years (section 10.2);
- The prohibition of prior authorization (section 10.2);
- Clinical trials (section 10.13);
- Balance billing (section 10.22);

- Transplant benefits (section 30.4);
- Cost-sharing (section 50.1);
- Multi-year benefits (section 90.2); and
- The Visitor / Travel benefit (section 100.7).

In addition to the substantive clarifications and updates outlined above, we have restructured our current guidance in certain sections of Chapter 4. We believe users will find the new structure easier to read and use. We note especially that we have restructured guidance in the following areas:

- The benefit table (Table II, section 30.3);
- Supplemental benefits extending Original Medicare benefits (section 30.8); and
- Value Added Items and Services (VAIS) (section 60).

We thank you in advance for your careful review and comments on this draft revision of Chapter 4. Please submit your comments electronically using the attached comment form to [Russell.Hendel@cms.hhs.gov](mailto:Russell.Hendel@cms.hhs.gov) by February 24, 2011. You may also access this document at <http://www.cms.hhs.gov/HealthPlansGenInfo/>.