



MEMORANDUM

DATE: July 10, 2006

TO: Medicare Advantage Organizations and Other Interested Parties

FROM: Abby L. Block /s/
Director, Center for Beneficiary Choices

SUBJECT: Medical Savings Accounts Demonstration

CMS is pleased to announce that there will be a Medicare Advantage (MA) Medical Savings Account (MSA) plan demonstration project. The MA MSA demonstration design waives certain MA MSA plan requirements under sections 1859(b)(3), 1853(e), and 1854(c) of the Social Security Act. This will allow entities to offer products that more closely resemble high deductible health plans (HDHPs) that are offered with Health Savings Accounts to the non-Medicare population. This demonstration will be conducted under the Secretary's demonstration authority.

CMS is soliciting applications from organizations that would like to participate in 2007 and Notices of Intent to Apply (NOI) from organizations interested in participating in 2008. To assist in your planning process, the attached MA MSA plan demonstration framework outlines specific parameters for design flexibilities. Organizations interested in participating in 2007 will need to submit a complete MA MSA application, which is available on the CMS website at the following URL: <http://www.cms.hhs.gov/MedicareAdvantageApps/>, no later than July 21, 2006. Your organization's bid and benefit submission is due no later than August 10, 2006. Organizations interested in participating for 2008 are requested to submit an NOI to CMS as soon as possible for us to understand the level of future interest in the product. Submitting an NOI does not require your organization to apply, nor is it required to apply. The NOI form is posted at the above website.

Specifically, your organization's application must stay within the boundaries of the attached framework and provide an operational discussion of the following:

- Product offering;
- Deposit calculations;
- Recovery policy for the current-year deposit, and procedures for members who are disenrolled from the plan before the end of the contract year. (Note that disenrollment may occur only for the reasons such as death or moving out of the service area as specified in section 1851(e)(5)(B) of the Act);

- Items and services to be counted toward the member's deductible;
- Whether a Prescription Drug Plan will be offered by your organization and marketed to potential MSA enrollees;
- Policy and procedures on portability of the member's account;
- Use of networks and whether/how cost sharing and the member out-of-pocket maximum will vary in-network versus out-of-network;
- Service area for product offering and whether it is individual and/or employer group; and
- Any other aspects making the product offering different from the statutory requirements of an MSA plan and as allowed under the attached framework.

Applications and NOIs should be sent to the following address: ATTN: Yolanda Robinson, Centers for Medicare and Medicaid Services, CBC/MAG/DQPM, 7500 Security Blvd., Mail Stop C4-23-07, Baltimore, MD 21244.

If you have any questions or need assistance with this process, please contact Yolanda Robinson at (410) 786-7627.

Enclosure