

MEMORANDUM

DATE: April 11, 2006

TO: All MA MSA Applicants

FROM: David A. Lewis
Deputy Director
Medicare Advantage Group

SUBJECT: Delegated Responsibilities for MSA Accounts

In order to efficiently implement MSA plans, CMS is asking Medicare Advantage Organizations (MAOs) that intend to offer MSA plans in 2007 to enter into a separate contract with CMS under which the MAO would make the annual, lump-sum deposit into the MSA accounts of the beneficiaries enrolled in the MSA plan they are offering. These funds will be used by the beneficiaries to cover their covered health care expenses during the contract year. If the entire deposit is not used during the contract year, the remaining money will rollover to the next year. (Under certain conditions, such as beneficiary death during the contract year, a portion of the deposit will need to be recovered.)

CMS will ensure that MAOs receive these deposit amounts in time to transfer the funds into the beneficiary's Medical Savings Account by the first day of entitlement to the MSA benefit.

MSA entitlement that is terminated before the end of the year due to death, a permanent move outside the service area by the beneficiary, or any other event that necessitates a disenrollment from the MSA plan, results in an overpayment due to CMS from the MSA beneficiary that is equal to the amount of the deposit attributed to the remaining months in the contract year. Accordingly, the separate contract with CMS would provide that the MAO would recoup the overpayments due to CMS.

This program administration contract with CMS will set forth specific requirements regarding these delegated functions with appropriate guidelines for MAOs to follow in carrying out these duties. Through the application review process we plan to work with MAOs to further clarify responsibilities in this area.