

MEDICARE DRUG & HEALTH PLAN CONTRACT ADMINISTRATION GROUP

DATE: September 10, 2026

TO: Medicare Advantage Organizations

FROM: Gerard J. Mulcahy
Director

SUBJECT: Off-Cycle Service Area Expansion Applications for Medicare Advantage
Changes of Ownership

CMS is issuing this memorandum to alert Medicare Advantage (MA) organizations to additional flexibilities available for service area expansion applications in connection with a proposed Change of Ownership (CHOW) transaction. Specifically, CMS is confirming that in instances where a proposed CHOW requires a service area expansion application for the sole purpose of determining whether the acquiring entity is qualified to operate the affected contract in the relevant service area, CMS will permit off-cycle submission of the service area expansion application.

Under § 422.552(a)(3)(iii), CMS must determine whether the prospective new owner of an MA or Medicare Advantage Prescription Drug (MAPD) contract meets applicable Subpart K requirements, including qualification to operate the affected contract in the relevant service area. Historically, when the proposed new owner did not operate in the same service area as the novating contract, CMS requested that the acquiring organization apply through the annual MA application cycle to qualify the new owner in the contract's service area before approving the CHOW.

Going forward, CMS will evaluate CHOW requests, and if it is determined that an acquiring entity with an existing contract with CMS needs to submit a service area expansion application to be qualified to operate in the relevant service area and will not expand the service area of the novating contract, CMS will notify the acquiring entity that an off-cycle service area expansion application is appropriate. This flexibility will not be extended to acquiring entities that require an initial application or for service area expansion applications to add to an existing service area. MA organizations are still required to comply with advanced notification and other CHOW requirements at § 422.550(b) and 422.552

CMS's approval of the CHOW remains contingent on whether the proposed successor satisfies all requirements at § 422.552, including Subpart K requirements. CMS retains full discretion to deny a CHOW if the CHOW is not in the best interest of the Medicare program under § 422.552(a)(3)(ii) or if other requirements are not met.

Questions regarding this memorandum should be submitted to the DMAO portal at <https://dmao.lmi.org> and choose "Change of Ownership/novations".