



DEPARTMENT OF HEALTH & HUMAN SERVICES

Centers for Medicare & Medicaid Services  
Center for Beneficiary Choices  
Medicare Advantage Group

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7500 Security Boulevard  
Baltimore, Maryland 21244

Date: May 1, 2006

To: Medicare Advantage Organizations  
Part C Plans Only

From: David A. Lewis, Acting Director, Medicare Advantage Group

Subject: Over-the-Counter Benefits

In the 2007 MA and MA-PD Call Letters issued on April 4, 2006 we stated that for calendar year 2007 we would provide clarifying language related to the interpretation of supplemental benefits and the inclusion of Over-the-Counter (OTC) benefits under Medicare Part C (see Section V. Benefit Design). This memorandum serves to provide that guidance.

As stated in the 2007 Call Letter, neither Part C of the Social Security Act - which governs the Medicare Advantage (MA) program - nor the implementing regulations at 42 CFR Part 422 specifically address coverage of OTC non-prescription drugs (such as Prilosec and Claritin) and health-related benefits (such as Band Aids).

For calendar year 2007, effective January 1, 2007, Part C Medicare Advantage Plans and Medicare Advantage – Prescription Drug (MA-PD) plans may cover OTC benefits as either a Mandatory supplemental benefit or an Optional supplemental benefit.

Mandatory supplemental benefits are Medicare Advantage plan and MA-PD plan benefits not covered by original Medicare that the MA enrollee must “purchase” as part of the MA plan. Mandatory supplemental benefits are paid for either in full, directly by, or on behalf of MA enrollees by premiums and cost sharing, or through the application of rebate dollars. Optional supplemental benefits are also benefits that are not covered by original Medicare. Plan enrollees may choose whether to elect and pay for optional supplemental benefits. MA organizations may offer individual items or groups of items and services as optional supplemental benefits. Rebate dollars may not be applied towards optional supplemental benefits. (See Chapter 4 of the Medicare Managed Care Manual – #100-16 for supplemental benefit guidelines as they apply to MSA plans.)

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