

**Capitation for Medicare Cost Sharing  
in Medicare Advantage (MA) Plans  
Q & A**

**Question**

When a State chooses to pay Medicare cost sharing for dual eligibles enrolled in MA plans through capitated payments to the plan, may the State unilaterally determine the capitation rates, and are the MA plans obligated to accept that rate?

**Answer**

For States that decide to capitate payments to MA plans for their Medicare cost sharing obligations the capitation rate must take into account the limitations on the States' payments as specified in §1902(n) of the Social Security Act. This means that the State's capitation rate for Medicare cost-sharing must be consistent with the payment levels specified in the State plan and the methodology for the computation of the capitation rate must be part of the approved State plan.

An MA plan that does not wish to accept the capitation payment is not obligated to do so, but since MA claims do not automatically "cross over" to Medicaid, plan providers must be able to submit valid claims to the State Medicaid program in order to obtain the payment for the Medicaid cost sharing obligation. This is problematic for many plan providers since the claim must reflect the payment received from the plan as well as all other data routinely required on a Medicaid claim. Many providers do not wish to submit Medicaid claims or are unable to identify the plan payment for a particular service. The providers are also prohibited from balance billing the Medicaid recipient. All MA organizations with dual enrollees, including Special Needs Plans (SNP) must specify in their contracts that dual eligible enrollees will not be held liable for Medicare Part A and B cost sharing. For a plan that does not accept the capitated cost sharing payment from the State, this means that plans or providers that otherwise cannot submit a valid claim to the State Medicaid program will be deprived of the amounts due them for cost sharing.