



## MEDICARE-MEDICAID COORDINATION OFFICE

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**DATE:** August 25, 2022  
**TO:** State Medicaid Agencies  
**FROM:** Lindsay P. Barnette  
Director, Models, Demonstrations and Analysis Group  
**SUBJECT:** Guidance for States Seeking to Leverage New Opportunities for Integrated Care Programs

The [Contract Year 2023 Policy and Technical Changes to the Medicare Advantage and Medicare Prescription Drug Benefit Programs Rule \(CY 2023 Rule\)](#) codified a new pathway at 42 CFR 422.107(e) through which states can use state Medicaid agency contracts (SMACs) to require that dual eligible special needs plans (D-SNPs) with exclusively aligned enrollment (a) establish contracts that only include one or more D-SNPs within a state, and (b) integrate certain materials and notices for enrollees.<sup>1</sup> This memorandum provides states with guidance on the process for working with CMS to establish D-SNP-only contracts and develop integrated materials.

### BENEFITS OF PURSUING THE OPPORTUNITIES

Choosing to pursue the opportunities under 42 CFR 422.107(e) would have several benefits:

- Enables reporting of quality measures and calculation of Star Ratings specific to each D-SNP-only contract, thereby providing the state and the public with greater transparency on outcomes and experiences specific to dually eligible individuals in the state.
- Requires D-SNPs in D-SNP-only contracts to use certain integrated materials, which make it easier for enrollees to understand the full scope of Medicare and Medicaid benefits covered by the D-SNPs.
- Improves coordination between the state and CMS on monitoring and oversight of D-SNPs, which includes establishing a process to coordinate on program audits and granting state access to the CMS Health Plan Management System for purposes of oversight and information-sharing related to the D-SNP-only contracts.
- Provides transparency on health care spending, because the D-SNP-only contract's medical loss ratio would reflect Medicare financial experience specific to dually eligible individuals in the state that are also enrolled in a companion Medicaid plan.
- Allows each D-SNP-only contract to create a model of care (MOC) that is specific to the state, which would facilitate coordinated review by the state and CMS, and provide opportunities for greater customization of the MOC to the state's Medicaid-related policies and priorities.

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<sup>1</sup> The CY 2023 Rule is available at <https://www.federalregister.gov/d/2022-09375>. Pertinent background information can be found starting on page 27764 (page 60 of the PDF), while the regulation text at 42 CFR 422.107(e) can be found starting on page 27894 (page 191 of the PDF).

- Enables CMS to review and evaluate the provider network specific to the D-SNPs offered under the D-SNP-only contract, and facilitates CMS collaboration with the state on certain requests for an exception to the network adequacy criteria.

All of these benefits are available to states that choose to leverage D-SNP-only contracts and integrated materials. However, states should carefully consider the timelines and resources necessary to effectively implement the requirements.

## CONSIDERATIONS

The following are examples of important factors for states to consider as they explore this opportunity:

- A minimum condition of using the pathway at § 422.107(e) is that the D-SNP(s) have exclusively aligned enrollment with an affiliated Medicaid managed care organization (MCO) in the state. If exclusively aligned enrollment does not currently exist in the state, it must be implemented before or simultaneous to establishing D-SNP-only contracts. Exclusively aligned enrollment means the Medicaid MCO that furnishes Medicaid benefits is the same as the D-SNP, the D-SNP's parent organization, or owned and controlled by the D-SNP's parent organization.<sup>2</sup> We refer to the MCO(s) in these aligned enrollment arrangements as being affiliated with the D-SNP(s).
- Another minimum condition of using the pathway at § 422.107(e) is that the D-SNP(s) use required materials that integrate Medicare and Medicaid content, which include at a minimum the Summary of Benefits, Formulary, and combined Provider and Pharmacy Directory. The state should ensure that it has sufficient resources to devote to the initial development and annual updating of the integrated model materials. Model materials are typically developed/updated in January through June of the year prior to implementation. To develop integrated materials, the state will have to collaborate with CMS to incorporate state-specific Medicaid information into the models while ensuring conformity with all applicable Medicare communications and marketing requirements and all applicable Medicaid managed care requirements.<sup>3,4</sup>
- Currently, the Medicare Part C and D Star Ratings system applies ratings at the contract level and much of the data used for the ratings are reported at the contract level as well. In order to maximize the benefits of D-SNP-only contracts in terms of quality measurement, the D-SNP-only contracts would need sufficient enrollment to reliably report performance on quality measures and surveys. Further limiting D-SNP-only contracts within the state by factors such as geographic region or age restrictions could exacerbate this concern. The state should consider the anticipated population size of each proposed D-SNP-only contract relative to minimum sample sizes and/or denominator requirements for applicable quality measures and surveys, particularly those used for the calculation of Star Ratings. Where concerns exist, CMS will work with the state to explore possible strategies for mitigation.
- Individuals who are crosswalked to a D-SNP-only contract will receive a new identification card from the D-SNP, along with other new plan materials. In consultation with interested parties,

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<sup>2</sup> 42 C.F.R. § 422.2 (definition of "aligned enrollment").

<sup>3</sup> See 42 CFR Part §§ 422.111 and 422.2260 – 422.2276 for MA requirements and § 438.10 for the minimum federal requirements for Medicaid managed care plans.

<sup>4</sup> States can find examples of integrated Summary of Benefits, Formulary (List of Covered Drugs), and combined Provider and Pharmacy Directory models on the [Medicare-Medicaid Plan \(MMP\) Marketing Information & Resources webpage](#). Please note that the requirements for MMPs and D-SNPs differ, so the models that will be developed for D-SNPs will not directly mirror the MMP models. They are provided as examples only.

the state may wish to consider whether any additional notification should be provided to enrollees affected by the change.

Note that these are examples of key considerations for states, but there may be other factors to weigh based on the state's desired approach.<sup>5</sup> We are available to answer questions and provide technical assistance as states work through this process. Support is also available through the [Integrated Care Resource Center \(ICRC\)](#).

## **PROCESS AND TIMELINE**

As a first step, we recommend that states consult with stakeholders regarding whether to institute the requirements for D-SNP-only contracts and integrated materials. The state should begin that process as soon as possible before it intends to implement the requirements.<sup>6</sup> Discussions should include CMS, Medicare Advantage (MA) organizations, beneficiaries and their representatives, advocacy groups, provider groups, and others. Upon reaching a decision to proceed, the state should notify CMS as described in § 422.107(e)(2) and the affected MA organizations so that the parties can commence the next steps. Because of the necessary steps for the process to establish a D-SNP-only contract, including the MA organization's timely application to CMS for the new contract, CMS believes that the state, the MA organization, and CMS will need to work collaboratively.

Per § 422.102(e)(2), CMS begins good faith work following receipt of a letter from the state Medicaid agency indicating intent to use the process described in § 422.107(e) in a future contract year and collaborate with CMS on implementation. To establish D-SNP-only contracts for the 2024 plan year, the state must provide notification to CMS by September 15, 2022. For all future plan years, the state should provide notification by August 15th of the year that is two years prior to implementation. For example, a state seeking to establish D-SNP-only contracts and integrated materials for the 2025 plan year would notify CMS of the state's intent by August 15, 2023. Should a state provide notification after these deadlines, CMS will work with the state to determine the appropriate implementation year.

Notification to CMS must be provided via letter addressed to the director of the Medicare-Medicaid Coordination Office (MMCO) and emailed to [MMCO\\_DSNOperations@cms.hhs.gov](mailto:MMCO_DSNOperations@cms.hhs.gov). We include a sample notification letter in [Appendix A](#) of this document.

We recommend that the state notify affected MA organizations at the same time it notifies CMS, through any notification mechanism determined to be appropriate by the state. At a minimum, the state should notify affected MA organizations early enough so that the MA organizations have sufficient time to prepare for the CMS contract application process and file a timely Notice of Intent to Apply (NOIA) per § 422.501. CMS typically releases the NOIA in October of the year that is two years prior to the applicable contract year. For example, CMS expects that the NOIA for the 2025 contract year will be released in October 2023.

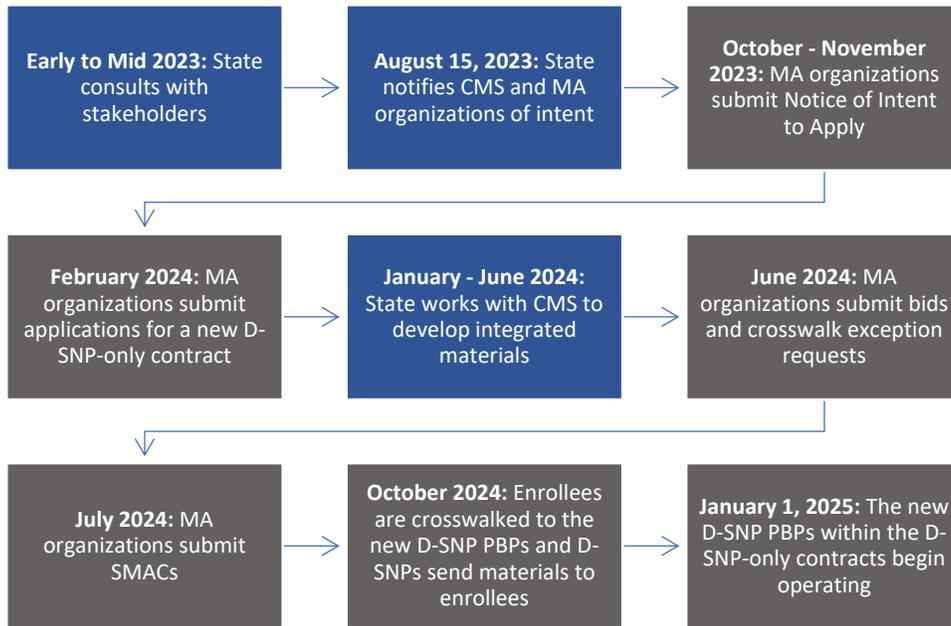
Once CMS receives proper notification from the state, CMS will reach out to the state's point of contact to establish a direct line of communication and provide more information about next steps, including

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<sup>5</sup> For more detail on possible considerations, states may find it helpful to review the narrative in the CY 2023 Final Rule, which includes issues raised by commenters and responses from CMS.

<sup>6</sup> CMS recognizes that a state seeking to establish D-SNP-only contracts for the 2024 plan year may have not yet consulted stakeholders. While CMS believes that such discussions should take place before a state notifies CMS of its intent as described in § 422.107(e)(2), CMS will commit to a good faith effort to commence the process while the state continues to evaluate options and discuss with stakeholders accordingly.

the process for developing integrated materials. CMS may also communicate with the applicable MA organizations as needed regarding the establishment of the D-SNP-only contracts, consistent with existing timeframes and procedures leading up to the submission of applications, bids, etc. A high-level overview of the timeline is provided below, using 2025 as an example, while a detailed timeline is available in [Appendix B](#).



## QUESTIONS

Please contact us at [MMCO\\_DSNOOperations@cms.hhs.gov](mailto:MMCO_DSNOOperations@cms.hhs.gov) with any questions regarding this memorandum or the process for establishing D-SNP-only contracts and integrated materials.

**APPENDIX A: SAMPLE NOTIFICATION LETTER**

[Insert Date]

Tim Engelhardt  
Director, Medicare-Medicaid Coordination Office  
Centers for Medicare & Medicaid Services

Via Email: MMCO\_DSNPOperations@cms.hhs.gov

**RE: Notice of Intent to Implement D-SNP-only Contracts and Integrated Materials for the [Insert Year] Plan Year**

Dear Tim Engelhardt:

This letter serves as notice that [Insert State Medicaid Agency Name] seeks to establish D-SNP-only contracts and implement integrated materials within [Insert State] as of the [Insert Year] plan year, in accordance with 42 CFR 422.107(e)(1).

[Insert paragraph that briefly describes the state’s stakeholder engagement process (e.g., which parties the state consulted, a brief summary of the feedback they provided, etc.). Also indicate whether the state notified the affected MA organizations of its decision to proceed (and if not, when the state intends to provide that notification).]

[Insert paragraph that describes the state’s intended approach for D-SNP-only contracts (i.e., anticipated number of D-SNP-only contracts, whether the contracts will be statewide or cover specific regions/populations, etc.) and any other applicable information.]

[Insert paragraph that describes the state’s staffing and other resources that it will commit to this effort, particularly regarding the development of integrated materials, oversight, and monitoring.]

We look forward to collaborating with CMS throughout the process to establish D-SNP-only contracts and implement integrated materials. Please reach out to [Insert applicable state contact name and information] to begin the next steps.

Sincerely,

[Insert Signature]  
[Insert Signatory Name and Title]

## APPENDIX B: DETAILED EXAMPLE TIMELINE

In order to establish D-SNP-only contracts and integrated materials, CMS anticipates that CMS, states, and MA organizations would follow the steps described below. Note that these steps are consistent with existing timeframes and procedures for the submission of applications, bids, and other required materials to CMS. This timeline uses the 2025 plan year as an example, but similar timing and processes would apply to future plan years as well.

Timeframe	Responsible Party	Task
Early to Mid-2023	State	The state consults with CMS, MA organizations, and other interested parties beginning in early 2023 regarding whether to add the requirements at § 422.107(e)(1) to its state Medicaid agency contract.
August 15, 2023	State	Upon reaching a decision to proceed, the state notifies CMS (by letter) by August 15, 2023. Around the same time, the state should notify the affected MA organizations of the state's intent to require the MA organizations (via the state Medicaid agency contract) to apply for a D-SNP-only contract(s) with CMS and use integrated materials for the future plan year.
October through November 2023	MA Organizations	The affected MA organizations submit to CMS a Notice of Intent to Apply for a new D-SNP-only contract in October or November 2023.
February 2024	MA Organizations	The affected MA organizations are required to submit applications for a new D-SNP-only contract in February 2024.
January through June 2024	State and CMS	CMS and the state develop integrated Summary of Benefits, Formulary, and combined Provider and Pharmacy Directory model materials from January through June 2024.
June 2024	MA Organizations	The affected MA organizations are required to submit a bid for one or more D-SNP Plan Benefit Packages (PBPs) in the new D-SNP-only contract (provided the application for the new D-SNP-only contract is approved) per § 422.254 by the first Monday in June 2024. Note that the affected MA organizations would not submit a bid in June 2024 for the D-SNP PBP that had been included in the non-D-SNP-only MA contract, indicating it is non-renewing the existing PBP.
June 2024	MA Organizations	The affected MA organizations submit a request to use the crosswalk exception at § 422.530(c)(4)(ii) in June of 2024 to move enrollees from the non-renewing D-SNP PBP to the new D-SNP PBP offered under the D-SNP-only contract.

<b>Timeframe</b>	<b>Responsible Party</b>	<b>Task</b>
July 2024	MA Organizations	The affected MA organizations are required to submit their state Medicaid agency contracts, including the provisions described at § 422.107(e)(1), in July 2024.
September 2024	CMS	Subject to compliance with all Part C and Part D requirements, CMS approves each new D-SNP PBP and its bid in the D-SNP-only contract for the 2025 plan year in September 2024.
September 2024	MA Organizations	The new D-SNP PBPs describe changes to the MA-PD benefits and provide information about the D-SNP PBP in the Annual Notice of Change, which must be sent consistent with § 422.2267(e)(3) for enrollee receipt by September 30, 2024.
October 2024	MA Organizations	The new D-SNP PBPs provide the Formulary and combined Provider and Pharmacy Directory to enrollees by October 15, 2024. The Summary of Benefits is provided to all prospective enrollees when an enrollment form is submitted beginning with the annual enrollment period on October 15, 2024.
October 2024	CMS and MA Organizations	Dually eligible beneficiaries enrolled in non-renewing D-SNP PBPs are crosswalked to the new D-SNP PBPs in October 2024 for a January 1, 2025 effective date if the crosswalk exception is approved by CMS.
January 1, 2025	MA Organizations	The new D-SNP PBPs within the D-SNP-only contracts begin operating as of January 1, 2025.