**DEPARTMENT OF HEALTH & HUMAN SERVICES**
**Health Care Financing Administration**

**Center for Medicaid and State Operations**
**7500 Security Boulevard**
**Baltimore, MD 21244-1850**

August 5, 1998

Dear State Medicaid Director:

This letter is a follow up to the State Medicaid Director's (SMD) letter that was issued on February 20, 1998 (#12 in the series of letters on managed care) providing guidance on the implementation of the Balanced Budget Act of 1997(BBA). That letter explained the changes made by the BBA regarding coverage of emergency services by managed care organizations (MCOs). The purpose of this letter is to clarify for you changes made by the BBA regarding post-stabilization care (relating to emergency services coverage) by MCOs. This is the nineteenth in the series of letters on the BBA's managed care provisions. (See the Enclosure to this letter for a list of managed care letters already issued.)

In the previous SMD letter covering emergency services dated February 20, 1998, we stated that contracts between States and MCOs must require the MCO to comply with the guidance for coordinating post-stabilization care established for Medicare+Choice plans 30 days after those regulations are promulgated. HCFA defines "are promulgated" as "became effective". The Medicare Part C regulation became effective on July 27, 1998. Therefore, in contracts with MCOs signed on and after August 26, 1998, States must comply with the language shown in boldface below, as stated in the Medicare+Choice regulation at 42 C.F.R. 422.100(b)(1)(iv).

Each MCO must cover the following services without requiring authorization, and regardless of whether the enrollee obtains the services within or outside the MCO:

Post-stabilization care services that were preapproved by the entity; or were not preapproved by the entity because the entity did not respond to the provider of post-stabilization care services' request for pre-approval within 1 hour after being requested to approve such care, or could not be contacted for pre-approval.

Post-stabilization services are services subsequent to an emergency that a treating physician views as medically necessary AFTER an emergency medical condition has been stabilized. They are NOT "emergency services", which MCOs are obligated to cover in-or-out of plan according to the "prudent layperson" standard. Rather, they are NON-emergency services that the MCO could choose NOT to cover out-of-plan EXCEPT in the circumstances described above. The intent of the regulation is to promote efficient and timely coordination of appropriate care of a managed care enrollee after the enrollee's condition has been determined to be stable.

If you have any questions, please contact Tim Roe at 410-786-2006.

Sincerely,

/s/

Sally K. Richardson
Director
Center for Medicaid and State Operations

cc:

Lee Partridge, American Public Human Services Association
Jennifer Baxendell, National Governors' Association
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