

## **20.2 - Service Areas**

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### **20.2.1 - “800 series” EGWP Service Areas (Elimination of the “Nexus Test” Beginning in Contract Year 2008)**

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For contract years 2006 and 2007, CMS employer group waiver policy required PDP sponsors to offer plans to individual Medicare beneficiaries as a condition of being able to offer “800 series” plans associated with the same contract. Also, if the PDP offered individual coverage in the PDP region where the most substantial portion of an employer’s employees reside, PDP sponsors were permitted to extend their “800 series” plan service area and enroll an

employer/union sponsor's retirees that resided outside of the individual plan service area. (This service area extension policy is commonly known as the "nexus test").

Beginning with the 2008 contract year, PDP sponsors offering prescription drug plans are not required to offer these plans to individual beneficiaries as a condition of offering associated "800 series" plans. This change includes the elimination of the "nexus test." The changes described above will apply to entities renewing "800 series" plan benefit packages in 2008, as well as to entities offering "800 series" plans for the first time in 2008.

Notwithstanding these changes, entities offering these plans will continue to have to meet all CMS requirements that are not otherwise waived or modified, including the requirement to be licensed as a risk bearing entity eligible to offer health insurance or health benefits. For entities that choose to only offer "800 series" plans for a particular PDP sponsor contract, this requirement will be met if the entity is licensed in at least one state.

For more details on the service area waiver policies (including the "nexus test" policy) that applied to EGWPs in contract years 2006 and 2007, see Appendix I below.

### **20.2.2 - Direct Contract EGWP Service Areas**

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In general, PDP sponsors can only cover beneficiaries in the service areas in which they operate. However under CMS waiver authority, for employers/unions which directly contract with CMS to sponsor their own PDP, coverage can extend to all of their Part D eligibles, regardless of whether they reside in one or more other PDP regions in the nation. However, in order to meet the enrollment eligibility requirements described in [Pub. 100-18, chapter 3](#), section 10, which includes the requirement that the beneficiary must permanently reside in the EGWP-specific service area, all Direct Contract PDPs should ensure their defined service area includes all geographic areas in which their plan Part D eligibles may reside (e.g., national service area).