

## **140.3 – Partial County Service Areas**

*(Rev. 121, Issued: 04-22-16, Effective: 04-22-16, Implementation: 04-22-16)*

This subsection only applies to local MA plans.

CMS will generally approve only full counties in a service area, in order to prevent the establishment of boundaries that could “game” the county-wide MA payment system by excluding an area of the county where beneficiaries with expected higher health care utilization might reside. However, the counties do not need to be contiguous, and under limited circumstances described below, CMS may approve the inclusion of “partial” counties in a service area.

CMS will consider approving a service area that includes a partial county, if it determines that the inclusion of a partial county is: (1) **necessary**, (2) **non-discriminatory**, and (3) in the **best interest of the beneficiaries**. All three of these factors must be present in order for CMS to approve an exception to the county integrity rule. CMS may also consider the extent to which the proposed service area mirrors the service area of existing commercial health care plans or MA plans offered by the *MAO and whether there are other MA plans serving the entire county*.

### **140.3.1 – Necessity**

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For CMS to determine that a partial county is **necessary**, an *MAO* must be able to demonstrate *that* the MAO cannot establish a provider network to make health care services available and accessible to beneficiaries residing in the portion of the county to be excluded from the service area.

The following examples illustrate how an HMO or other type of local MA plan may have a health care network that is limited to one part of a county and cannot be extended to encompass an entire county.

Example 1: A section of a county has an insufficient number of providers (or insufficient capacity among existing providers) to ensure access and availability to covered services.

- Example 2: Geographic features, such as mountains, water barriers, and exceptionally large counties create situations where the local pattern of care in the county justifies less than a complete county because covered services are not available and accessible throughout the entire county.

### **140.3.2 – Non-Discriminatory**

*(Rev. 121, Issued: 04-22-16, Effective: 04-22-16, Implementation: 04-22-16)*

For CMS to determine if a partial county is **non-discriminatory**, an *MAO* must be able to demonstrate the following:

- The anticipated enrollee health care cost of the portion of the county it proposes to serve is similar to the area of the county that will be excluded from the service area. For example, if the *MAO* is requesting a service area reduction (creating a new partial county) the *MAO* can demonstrate its anticipated cost of care (in the partial county area) by using data from the previous year of MA contracting comparing the health care costs of its enrollees in the excluded area to those in the area of the county it proposes to serve; and
- The racial and economic composition of the population in the portion of the county it wants to serve is comparable to the excluded portion of the county. For example, the *MAO* can use U.S. census data to show the demographic make-up of the included portion of the county as compared to the excluded portion.

Note that the existence of other MA plans operating in the entire county may provide evidence that approving a partial county service area application would be discriminatory.

### **140.3.3 -Best Interests of Beneficiaries**

*(Rev. 121, Issued: 04-22-16, Effective: 04-22-16, Implementation: 04-22-16)*

In order for CMS to determine whether a partial county is in the **best interest of beneficiaries**, an *MAO* must provide reasonable documentation to support their request. *As previously noted, CMS will generally only approve partial counties when it is not possible for an MAO to serve an entire county.*

An *MAO* may not create a service area that excludes portions of a county because it believes enrollees with anticipated higher health care costs or needs reside in the portions of the county *to be excluded from the service area.*