

## 10.1 - General Requirements

(Rev. 38, 10-31-03)

Cost contracts generally are limited to existing contractors, who had a cost contract in place before the date of enactment of the Balanced Budget Act of 1997. The only exception to this rule is for entities that currently have an HCPP contract under [§1833\(a\)\(1\)\(A\)](#) of the Social Security Act (the Act), and wish to convert to a [§1876](#) cost contract. In order for an HCPP to contract CMS under a cost contract, the entity must meet certain qualifying conditions as outlined in [42 CFR 417, Subpart J](#). One of these qualifying conditions requires the entity to demonstrate an ability to enroll members and to sustain a membership that ensures effective, efficient and economical care to the plan's Medicare enrollees. Meeting these requirements is also a condition for continuing to contract with CMS as an existing cost contractor.

Operating experience and enrollment requirements are minimum standards. In addition to the plan demonstrating the ability to enroll members, these enrollment levels are necessary to provide a reasonable basis for CMS to establish payment rates for the plan.

