

M+C organization, this process must conform to the rules in § 422.202(d).

■ 18. In § 422.210, paragraph (a) and the introductory text to paragraph (b) are revised to read as follows:

§ 422.210 Disclosure of physician incentive plans.

(a) *Disclosure to CMS.* Each M+C organization must provide to CMS information concerning its physician incentive plans as requested.

(b) *Disclosure to Medicare beneficiaries.* Each M+C organization must provide the following information to any Medicare beneficiary who requests it:

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Subpart F—Payments to Medicare+Choice Organizations

■ 19. In § 422.250, the following amendments are made as follows:

- a. Paragraph (a)(1) is revised.
- b. Paragraph (a)(2)(i)(B) is redesignated as (a)(2)(i)(C).
- c. A new paragraph (a)(2)(i)(B) is added.

§ 422.250 General provisions.

(a) *Monthly payments—(1) General rule.* (i) Except as provided in paragraphs (a)(2) or (f) of this section, CMS makes advance monthly payments equal to 1/12th of the annual M+C capitation rate for the payment area described in paragraph (c) of this section adjusted for such demographic risk factors as an individual's age, disability status, sex, institutional status, and other factors as it determines to be appropriate to ensure actuarial equivalence.

(ii) Effective January 1, 2000, CMS adjusts for health status as provided in § 422.256(c). When the new risk adjustment is implemented, 1/12th of the annual capitation rate for the payment area described in paragraph (c) of this section will be adjusted by the risk adjustment methodology under § 422.256(d).

(iii) Effective January 1, 2003, monthly payments may be reduced by the adjusted excess amount, as described in § 422.312(a)(2), and 80 percent of the reduction in monthly payments used to reduce the Medicare beneficiary's Part B premium, up to a total of 125 percent of Part B premium amount.

(2) * * *

(i) * * *

(B) CMS applies appropriate adjustments when establishing the rates, including risk adjustment factors. CMS also establishes annual changes in capitation rates using the methodology

described in § 422.252. Effective 2002, a special adjustment is made to increase ESRD rates to 100 percent of estimated per capita fee-for-service expenditures and rates are adjusted for age and sex. In subsequent years, rates are adjusted for age, sex, and other factors, if appropriate.

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■ 20. In § 422.256, paragraph (b) is revised to read as follows:

§ 422.256 Adjustments to capitation rates and aggregate payments.

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(b) *Adjustment for national coverage determination (NCD) services and legislative changes in benefits.* If CMS determines that the cost of furnishing an NCD service or legislative change in benefits is significant, as defined in § 422.109, CMS will adjust capitation rates or make other payment adjustments, to account for the cost of the service or legislative change in benefits. Until the new capitation rates are in effect, the M+C organization will be paid for the significant cost NCD service or legislative change in benefits on a fee-for-service basis as provided under § 422.109(b). The Office of the Actuary in CMS will apply a new NCD adjustment factor each year that reflects significant costs of NCDs and legislative changes in benefits for coverage effective in the second prior year. The new NCD adjustment factor will be applied to the 2 percent minimum update rate described in § 422.252(c).

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■ 21. In § 422.266, the following amendments are made as follows:

- a. Paragraph (a) introductory text is revised.
- b. Paragraph (c) is revised.

§ 422.266 Special rules for hospice care.

(a) *Information.* An M+C organization that has a contract under subpart K of this part must inform each Medicare enrollee eligible to select hospice care under § 418.24 of this chapter about the availability of hospice care (in a manner that objectively presents all available hospice providers, including a statement of any ownership interest in a hospice held by the M+C organization or a related entity) if—

* * * * *

(c) *Payment.* (1) No payment is made to an M+C organization on behalf of a Medicare enrollee who has elected hospice care under § 418.24 of this chapter except for the portion of the payment applicable to the additional benefits described in § 422.312. This no-payment rule is effective from the first day of the month following the month

of election to receive hospice care, until the first day of the month following the month in which the election is terminated.

(2) During the time the hospice election is in effect, CMS's monthly capitation payment to the M+C organization is reduced to an amount equal to the adjusted excess amount determined under § 422.312. In addition, CMS pays through the original Medicare program (subject to the usual rules of payment)—

(i) The hospice program for hospice care furnished to the Medicare enrollee; and

(ii) The M+C organization, provider, or supplier for other Medicare-covered services to the enrollee.

Subpart G—Premiums and Cost-Sharing

■ 22. In § 422.312, the following amendments are made as follows:

- a. Paragraph (d) is redesignated as paragraph (e).
- b. A new paragraph (d) is added.

§ 422.312 Requirement for additional benefits.

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(d) *Reduction in payments.* As of January 1, 2003, as a part of providing additional benefits under paragraph (b) of this section, if there is an adjusted excess amount for the plan it offers, the M+C organization—

(1) May elect to receive a reduction (not to exceed 125 percent of the standard Part B premium amount) in its payments under § 422.250(a)(1), 80 percent of which will be applied to reduce the Part B premiums of its Medicare enrollees; and

(2) Must apply the reduction uniformly to all similarly situated enrollees of the M+C plan.

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Subpart K—Contracts With Medicare+Choice Organizations

■ 23. A new § 422.521 is added as set forth below:

§ 422.521 Effective date of new significant regulatory requirements.

CMS will not implement, other than at the beginning of a calendar year, requirements under this part that impose a new significant cost or burden on M+C organizations or plans, unless a different effective date is required by statute.

Subpart M—Grievances, Organization Determinations and Appeals

■ 24. In § 422.566, paragraph (c) is revised to read as set forth below: