

August 3, 2000

Dear State Medicaid Director:

On May 8, 2000, the Health Care Financing Administration (HCFA) approved a request by the Sterling Life Insurance Company (Sterling) to offer the first private fee-for-service health plan option for people with Medicare. Sterling began enrolling beneficiaries on July 1, 2000.

A private fee-for-service (PFFS) plan is a private insurance program that charges enrollees a premium and cost-sharing amounts and allows beneficiaries provider freedom of choice. Medicare beneficiaries who choose to enroll in the new PFFS plan, Sterling Option I, will not be restricted to a network and may get health care services from any Medicare provider in the country. In most cases, beneficiaries enrolled in the PFFS plan will pay less to see a doctor than under original fee-for-service Medicare.

The Sterling Option I plan will furnish enrollees with coverage of all Medicare Part A and B services. Providers who provide care to beneficiaries enrolled in Sterling Option I will be paid on a fee-for-service basis by the plan and are not subject to utilization review. Some of the enrollee cost-sharing amounts are as follows:

\$55 monthly plan premium

\$10 copay for primary and specialist physician care

\$50 copay for each ER visit (no copay if admitted from ER to hospital)

\$300 copay for each hospital admission

\$25 copay per day for SNF admission

\$50 additional copay per day (maximum \$500) for non-notification of planned inpatient admission

No drugs, physical exams, eye exams, hearing aids or glasses are covered.

The Sterling PFFS plan will be available in Alaska, Idaho, Kentucky, Minnesota, Nebraska, New Mexico, Nevada, Oregon, South Dakota, Tennessee, and Utah. It will also be offered in selected counties in Arkansas, Louisiana, Mississippi, Ohio, Texas, and West Virginia. The Sterling plan will be offered primarily in rural areas where Medicare + Choice options have not been widely available.

Sterling is currently providing information on the Option I PFFS plan at 1-888-858-8572. Additional

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information is also available on the Sterling Option I web site at: [www.Sterlingplans.com](http://www.Sterlingplans.com). Comparison information on the Sterling Option I plan and other health plans is available on the Medicare compare web site at: [www.Medicare.gov](http://www.Medicare.gov) or by calling 1-800-MEDICARE.

If you have any questions concerning the Sterling Option I PFFS plan, please contact Mervyn John, Plan Manager, Health Plan Administration Group, HCFA, at 410-786-1141 or by E-mail at: [Mjohn@hcfa.gov](mailto:Mjohn@hcfa.gov).

Sincerely,

/s/

Timothy M. Westmoreland  
Director

cc:

All HCFA Regional Administrators All HCFA Associate Regional Administrators for Medicaid and State Operations Lee Partridge - Director, Health Policy Unit, American Public Human Services Association Joy Wilson - Director, Health Committee, National Conference of State Legislatures Matt Salo - Director of Health Legislation, National Governors' Association <% 'Sitewide navigation info / do NOT edit %>