

(2) *HCFA response.* In response to the request, HCFA makes the payment adjustment requested by the chief executive.

(3) *Budget neutrality adjustment for geographically adjusted payment areas.* If HCFA adjusts a State's payment areas in accordance with paragraph (e)(2) of this section, HCFA at that time, and each year thereafter, adjusts the capitation rates so that the aggregate Medicare payments do not exceed the aggregate Medicare payments that would have been made to all the State's payments areas, absent the geographic adjustment.

(f) *Determination and applicability of payment rates.* (1) All payment rates are annual rates, determined and promulgated no later than March 1st, for the following calendar year.

(2) For purposes of paragraphs (b) and (c) of § 422.252, except as provided in § 422.254(e)(4), the "capitation payment rate for 1997" is the rate determined under section 1876(a)(1)(c) of the Act.

(g) *Bonus payments.* (1) HCFA provides bonus payments to the M+C organization(s) that first offers a plan in a previously unserved county on or after January 1, 2000 and no later than December 31, 2001. The bonus payment amounts equal—

(i) For the first 12 months after a plan is offered in a previously unserved county, 5 percent of the monthly capitation rate otherwise payable under this section; and

(ii) For the subsequent 12 months, 3 percent of the monthly capitation rate otherwise payable under this section.

(2) A previously unserved county is defined as—

(i) A county in which no M+C plan has been offered; or

(ii) A county in which an M+C plan or plans has been offered, but where any M+C organization offering an M+C plan notified HCFA by October 13, 1999, that it will no longer offer plans in the county as of January 1, 2000.

(3) A plan is considered to be offered when—

(i) The M+C organization sponsoring the plan has a contract in effect to serve beneficiaries in the previously unserved area; and

(ii) The M+C plan is open for enrollment.

[63 FR 35090, June 26, 1998; 63 FR 52613, Oct. 1, 1998, as amended at 65 FR 40325, June 29, 2000]

§ 422.252 Annual capitation rates.

Subject to the adjustments specified in this subpart, the annual capitation rate for a particular payment area is equal to the largest of the following:

(a) *Blended capitation rate.* The blended capitation rate is the sum of—

(1) The area-specific percentage (specified in § 422.254(a)) for the year multiplied by the annual area-specific capitation rate for the payment area as determined under § 422.254(e) for the year, and

(2) The national percentage (specified in § 422.254(a)) for the year multiplied by the national input-price-adjusted capitation rate for the payment area as determined under § 422.254(g) for the year.

(3) Multiplied by the budget neutrality adjustment factor determined under § 422.254(d).

(b) *Minimum amount rate.* (1) For 1998—

(i) For the 50 States and the District of Columbia, the minimum amount rate is 12 times \$367.

(ii) For all other jurisdictions the minimum amount rate is the lesser of the rate described in (b)(1)(i) or 150 percent of the capitation payment rate for 1997.

(2) For each succeeding year, the minimum amount rate is the minimum amount rate for the preceding year, increased by the national per capita growth percentage (specified in § 422.254(b)) for the year.

(c) *Minimum percentage increase rate.*

(1) For 1998, the minimum percentage increase rate is 102 percent of the annual capitation rate for 1997.

(2) For each succeeding year, the minimum percentage increase rate is 102 percent of the annual capitation rate for the preceding year.

§ 422.254 Calculation and adjustment factors.

The following are the factors used in calculating the per capita payment rates: