

Memo Date: February 28, 2025

Memo Topic: Reward and Incentive Value Policy Update

To: All Medicare-Medicaid Plans (MMPs)

From: Dustin Welch, MHA, PAHM, South Carolina Department of Health and Human Services (SCDHHS)

Summary

MMPs expressed concerns to the Contract Management Team (CMT) regarding low enrollee incentive amounts and the following related South Carolina Three-Way Contract provisions:

2.12.9.2.6. The nominal value of each in-kind Enrollee incentive cannot exceed fifteen dollars (\$15).

2.12.9.2.7. Enrollees may not receive incentives valued in excess of seventy-five dollars (\$75) per calendar year. This limit applies to beneficiaries who disenroll (or are disenrolled from) the CICO and re-enroll with the same CICO within the same calendar year.

The amounts listed above were based on an interpretation of federal restrictions at the time the contract was written. This interpretation has subsequently been revised, and MMPs are no longer limited to these fixed dollar amounts. Instead, incentives must follow CFR 422.134. Incentives shall be reasonable and appropriate, and the value of each reward can not exceed the value of the target activity itself.

Updated Interpretation Details

The limitations in the Three Way Contract were based on an interpretation of marketing limitations found under [42 CFR 422.2263\(b\)\(2\)](#). However, in conjunction with the Medicare Medicaid Coordination Office (MMCO), SCDHHS supports following 42 CFR 422.134 as the relevant limiting statute for reward and incentive programs. As such, the limits in Three Way Contract provisions 2.12.9.2.6 & 2.12.9.2.7 no longer apply.

Until the Three Way Contract may be amended, this memorandum shall serve as guidance for MMPs who elect to increase member rewards and incentives in accordance with the following:

- [42 CFR 422.134](#) should be treated as the guiding federal regulation on this subject (see [422.134\(d\)\(2\)\(ii\)](#) in particular)
 - o As such, the only value limit on rewards and incentives should be that their value can't exceed the value of the target activity itself (e.g., the incentive for an enrollee to get a flu shot can't exceed the cost of administering the shot)
- Section 100.4 Valuing Rewards and Incentives of the [Medicare Managed Care Manual Chapter 4](#) aligns with guidance at 422.134: "MA plans are to establish reasonable and appropriate values for rewards and/or incentives that comply with §422.134."