

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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CENTER FOR MEDICARE

TO: Pharmaceutical Manufacturers and All Part D Sponsors

FROM: Cynthia G. Tudor, Ph.D., Director, Medicare Drug Benefit and C & D Data Group
Cheri Rice, Director, Medicare Plan Payment Group

SUBJECT: Medicare Coverage Gap Discount Program – Low Dollar Amounts

DATE: September 9, 2011

CMS is seeking comments from manufacturers regarding the potential issue with low-dollar invoice amounts and the use of Electronic Fund Transfers.

Through communications with manufacturers, CMS has identified a potential issue associated with the requirement to pay Part D sponsors through Electronic Fund Transfer (EFT). Under the current Medicare Coverage Gap Discount Program (Discount Program) Agreement, section II (m) requires manufacturers to pay quarterly invoices directly to accounts established by Part D sponsors via EFT. Some manufacturers have raised logistical concerns associated with EFT payments when the invoice amount is very low. For example, some manufacturers claim that banks establish minimum dollar thresholds for making EFT payments which may be more than invoiced amounts to Part D sponsors, or have fees associated with the EFT transactions that exceed the invoiced amounts to Part D sponsors. In our May 2010 Discount Program guidance, we responded to a comment about establishing thresholds for payment to Part D sponsors. At that time, CMS did not believe making small payments to Part D sponsors would impose significant burden on manufacturers.

CMS now seeks your comments to determine if we need to allow an exception to the EFT requirement, and if so, what should be the exception. For example, should we establish a threshold, such as \$10, for mandatory EFT payments and allow invoice amounts below the threshold to be paid by check? It is still unclear to us that any exception is necessary because the overwhelming majority of manufacturers did not report any issues with EFT requirements and successfully made all of their payments electronically including payments less than \$10. Nevertheless, we are interested in receiving any relevant information that can better inform our decision.

Please submit any comments to CGDPandmanufacturers@cms.hhs.gov by October 7, 2011. Please also direct any questions to the same mailbox.