

TO: Part D Sponsors

FROM: Cynthia Tudor, Ph.D., Director, Medicare Drug Benefit and C & D Data Group

RE: Preview of the 2009 Addendum for Sponsors Offering Part D

DATE: August 21, 2008

For the first time since the start of the Part D program, CMS is requiring all existing Part D sponsors to execute a new addendum to their contracts with CMS as part of this year's annual contracting/renewal process. The purpose of this memo is to provide a preview of the new addendum.

As required by the Medicare Improvements for Patients and Providers Act of 2008<sup>1</sup> and the Revisions to the Part D Prescription Drug Contract Determinations, Appeals, and Intermediate Sanctions Processes<sup>2</sup>, the following provisions have been incorporated into a new addendum for existing Part D sponsors.

- Effective January 1, 2010, Sponsor will issue, mail, or otherwise transmit payment with respect to all clean claims submitted by pharmacies (other than pharmacies that dispense drugs by mail order only or are located in, or contract with, a long-term care facility) within 14 days of receipt of an electronically submitted claim or within 30 days of receipt of a claim submitted otherwise.
- Effective January 1, 2010, Sponsor must ensure that a pharmacy located in, or having a contract with, a long-term care facility will have not less than 30 days (but not more than 90 days) to submit claims to the Sponsor for reimbursement.
- Effective January 1, 2009, if Sponsor uses a standard for reimbursement of pharmacies based on the cost of a drug will update such standard not less frequently than once every 7 days, beginning with an initial update on January 1 of each year, to accurately reflect the market price of acquiring the drug.
- Sponsor agrees to maintain records and provide access in accordance with 42 CFR § 423.505 (b)(10) This provision has been revised to clarify that the sponsor agrees that it will provide access to its own books and records as well as those of its first tier, downstream, and related entities that relate to the sponsor's Part D operations.

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<sup>1</sup> P.L. 110-275: The Medicare Improvements for Patients and Providers Act of 2008, July 23, 2008.

<sup>2</sup> 42 CFR Part 423 (Dec. 5, 2007)

Execution of this addendum is required of sponsors renewing existing contracts with CMS (i.e., organizations currently offering Part D benefits). The executed addendum will be due to CMS by September 8, 2008, along with other annual contracting/renewal materials (such as benefit attestations). Organizations entering into new contracts with CMS for CY 2009 are not required to execute the addendum as the provisions of that document will be incorporated into the updated PDP sponsor contract and Part D addendum that organizations will be required to execute during the upcoming contracting process. A comprehensive set of contracting/renewal instructions and addendum/contracts will be posted in HPMS on August 28, 2008 and are due back to CMS by September 8, 2008.

As noted earlier, the purpose of this memo is to provide a preview to the new addendum. No reply to this memo is required, and no sponsor should use the attached document to return an executed addendum to CMS. Sponsors must follow the August 28, 2008 instructions CMS will issue to this process.

If you have questions, please contact Julie Gover at 410-786-0525 or [Julie.Gover2@cms.hhs.gov](mailto:Julie.Gover2@cms.hhs.gov).