

MEMORANDUM

Date: January 31, 2006

To: All Medicare Part C, Part D, Employer-group waiver sponsors, and 1876 Cost Plan Sponsors

Subject: Contract renewal for 2007

From: Gary Bailey, Deputy Director, Plan Policy and Operations, CBC, CMS

The current term of all Medicare Part C, Part D, employer-group waiver, and 1876 Cost Plan sponsors' contracts with CMS expires on December 31, 2006. Medicare regulations require CMS to annually issue to each Prescription Drug Plan, Medicare Advantage organization, and cost-based plan sponsor notice of our determination that the sponsor or organization is qualified to renew its contract for the following program year. CMS must issue this notice on or before May 1, 2006 for contracts effective January 1, 2007 through December 31, 2007.

Current sponsors are not required to apply for contract renewal. CMS will make renewal determinations during the spring of 2006 based on our review of each sponsor's compliance with its Medicare contract. Therefore, sponsors are not required to submit any materials for our consideration as part of the contract renewal determination process.

Sponsors that intend to non-renew their Medicare contracts must provide CMS notice of their decision on or before June 5, 2006.

Medicare Advantage organizations and Prescription Drug Plan sponsors that intend to offer Medicare plans during 2007 must submit bids for CMS review on or before June 5, 2006. Similarly, cost-based plan sponsors that intend to offer Part D benefits during 2007 must submit bids for those Part D plans, and for Parts A and B they must complete plan benefit packages (PBPs). These bids and PBP submissions must be submitted for CMS review on or before June 5, 2006. Note that PBP submissions are not required for cost plans that do not include Part D benefits, but CMS encourages cost plans without Part D to submit PBPs for Parts A and B because this will make it possible for us to include you in the "*Medicare & You*" handbook. It is important to note that the bid process is separate from the contract renewal determination process. Contract renewals for 2007 will not become effective until CMS approves the required bids for each sponsor in September 2006.

CMS will issue updated Part D reporting requirements shortly. These updates will address long-term care pharmacy access, medication therapy management programs, coverage exceptions policies and procedures, and benefit transition policies. CMS will also release updated requirements concerning provider and beneficiary contact standards (e.g., access to toll-free numbers, hours of operation). This information will be collected as part of CMS' ongoing compliance monitoring efforts. Part D sponsors will be notified of the updated reporting requirements through a separate communication.

Instructions for the year 2007 contract participation will be forthcoming in the annual Call Letter.

If you have any questions about the renewal process, please contact your CMS account/plan manager.