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DATE: August 13, 2010

TO: All Prescription Drug Plan (PDP) Sponsors

FROM: Michael Crochunis, Acting Director
Medicare Enrollment and Appeals Group

SUBJECT: 2011 Reassignment of Low-Income Subsidy Beneficiaries in PDPs

Overview of the Reassignment Process

In early October, CMS will conduct reassignment of certain beneficiaries eligible for the Part D low-income subsidy (LIS). CMS will carry out all reassignments, including those to a different plan benefit package (PBP) offered by the same organization and the random reassignment to plans offered by different sponsors. As in the past, CMS will not reassign individuals who either no longer qualify for LIS, or who have chosen a plan on their own. These individuals will remain in their current plans unless they make an affirmative enrollment choice. For reassignments effective 2011, pursuant to section 3303 of the Affordable Care Act (ACA), PDPs that volunteer to waive a de minimis amount of the premium will no longer lose LIS beneficiaries to reassignment. Thus, CMS will reassign only individuals who meet the following criteria:

1. Individuals who are LIS-eligible in 2010 and will remain LIS-eligible in 2011; and
 - a. Have remained in the PDP into which CMS originally assigned them, but their current PDP will no longer have a Part D premium at or below the LIS benchmark in 2011 (including the PDPs that do not volunteer to waive the de minimis amount); or,
 - b. Are enrolled in a PDP that will be terminating, regardless of whether they chose or were assigned to the PDP.

For further guidance on this process, please see §40.1.5 of Chapter 3 (on Eligibility, Enrollment, and Disenrollment) of the Medicare Prescription Drug Benefit Manual (“Chapter 3”), available on the Web at <http://www.cms.hhs.gov/MedicarePresDrugEligEnrol/>.

Please note that reassignment also occurs for Medicare Advantage (MA) plans that are terminating or reducing their service area as of 2011. Beneficiaries in non-renewing MA plans are reassigned into PDPs only. Additional information about the reassignment process for qualifying beneficiaries in MA plans that are terminating or reducing their service area is provided in separate guidance (please refer to the memo dated August 13, 2010, entitled “2011

Reassignment of Low-Income Subsidy Beneficiaries in Terminating Medicare Advantage Plans” from Michael Crochunis, Acting Director, Medicare Enrollment and Appeals Group). In addition, there is no reassignment among LIS beneficiaries in U.S. territories, or from employer-sponsored PDPs.

A summary of the process is provided in Attachment A. Key information about this year’s process is outlined below, including details about the beneficiary notification schedule, a reassignment timeline, and technical details about the file formats to be used in the plan notification process.

Volunteering to Waive the De Minimis Amount

Under the section 3303 of the ACA, a PDP or Medicare Advantage with Prescription Drug (MA-PD) plan may volunteer to waive the portion of the monthly adjusted basic beneficiary premium that is within a de minimis amount above the LIS benchmark for a subsidy eligible individual. The de minimis amount may not be waived from the enhanced portion of a Part D premium applicable to the enhanced benefit. This provision was also announced in the Announcement of Calendar Year (CY) 2011 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter, which was released on April 5, 2010 (on our website at

<http://www.cms.gov/MedicareAdvgtgSpecRateStats/Downloads/Announcement2011.pdf>).

Additional clarification was provided in the memo dated June 29, 2010, entitled “*De Minimis Guidance for Plan Year 2011*” and the memo dated August 12, 2010, entitled “Timeline for Rebate Allocation and De Minimis,” both from Cheri Rice, Acting Director, Medicare Plan Payment Group.

CMS will not reassign LIS members from plans that volunteer to waive the de minimis amount. However, for continuing Part D plans, we only reassign beneficiaries originally assigned to a zero-premium PDP that will have a new premium liability in the following year. We do not reassign beneficiaries from continuing MA plans, regardless of the level of the Part D premium. As a result, while any Part D plan that qualifies may volunteer to waive the de minimis premium, we anticipate that the only Part D plans that are likely to volunteer are those continuing PDPs that would otherwise lose beneficiaries to reassignment.

A Part D sponsor will volunteer to waive de minimis premium amount on a plan by plan basis. The Sponsor may opt to volunteer for one plan benefit package that qualifies and not another. For each plan benefit package for which a Sponsor volunteers, the Sponsor agrees to waive the de minimis premium amount for all LIS beneficiaries with 100% premium subsidy in that plan benefit package. This includes any member for any month in the contract year for which the individual is 100% premium subsidy eligible. The Part D sponsor will be responsible for identifying these members based on existing data already transmitted by CMS, and ensuring no premium is charged to them.

CMS will announce the de minimis amount on August 18, when the benchmarks are released. Plans with de minimis premiums must inform CMS of their intent to participate in the voluntary de minimis program within five calendar days after the de minimis amount is released, i.e. by 11:59 p.m. Eastern Daylight Time on August 23, 2010. Plans will inform CMS of their intention

to participate through HPMS. A de minimis link will be available from the left navigation bar in HPMS under Plan Bids/Bid Submission/CY2011/Manage Plans. All organization users with the bid download/upload access type associated with a contract number will have access to the de minimis page for qualifying plans under the contract number. The default value will be unchecked (i.e., “No”) so a plan must select the checkbox to indicate that it wants to volunteer to participate.

The HPMS screenshot will appear as follows:

<p>A prescription drug plan (PDP) or Medicare Advantage Plan with Prescription Drug coverage (MA-PD) that offers basic Part D coverage may volunteer to waive the portion of the monthly adjusted basic beneficiary premium that is a de minimis amount above the low-income subsidy (LIS) benchmark for an LIS eligible individual. CMS will not reassign LIS members from PDPs that volunteer to waive the de minimis amount. (Please note: CMS does not reassign LIS beneficiaries from MA-PD plans that are renewing).</p> <p>For plan year 2011, the de minimis amount will be \$____.</p> <p>To volunteer to waive the de minimis amount for LIS beneficiaries with 100% premium subsidy:</p> <ol style="list-style-type: none">1. Select the contract number(s) for which you have access.2. Select the checkbox next to each plan for which you volunteer to waive the de minimis amount. <p>Please Note: The checkbox will only be available for plans that have a Part D premium that is within the de minimis amount of the LIS benchmark in their region.</p> <p>By selecting the checkbox, the Part D Sponsor agrees, for the full contract year, to waive collecting the de minimis amount over the LIS benchmark for any member who has 100% LIS premium subsidy, for each month throughout the contract year for which the member has the 100% LIS premium subsidy.</p> <p>Plans will have until August 23, 2010 to volunteer to participate in de minimis.</p>

Preliminary Notification to PDP Sponsors in September

On or around September 24, 2010, CMS will be sending a file to PDPs that will be losing beneficiaries because their 2011 Part D premium will no longer be at or below the LIS regional low-income benchmark. PDPs with a 2011 Part D premium that is above the LIS regional benchmark, but within the de minimis amount, will also lose beneficiaries to reassignment unless the PDP volunteers to waive the de minimis amount. As noted above, the de minimis amount will be announced in conjunction with the announcement of the LIS benchmark on August 18.

Please see record layout E.2 in the Medicare Advantage and Prescription Drug Plans Communications Users Guide for the file format and specifications, available on the Web at <http://www.cms.gov/MAPDHelpDesk/>

PDPs that want to identify potential reassignees prior to receiving this file may do so by identifying all members whose enrollment source codes are A, C, or H (auto-enrolled, facilitated-enrolled, or reassigned, respectively), and who will have a 2011 low-income premium subsidy of 100%.

The file will provide a preliminary list of the beneficiaries who will be reassigned due to a premium increase, in order to help PDPs send the appropriate annual notice of change (ANOC) to these individuals on a timely basis. Plans may use the file only for the following purposes:

1. In situations where beneficiaries will be reassigned to a different organization, this file may be used to identify beneficiaries who may receive an alternate ANOC, consistent with Exhibit 30 within Chapter 3, or other approved communication consistent with this memorandum.
2. In situations where beneficiaries will be reassigned to a different plan within the same organization, this file may be used to identify those who can receive the ANOC of the gaining plan; that is, instead of their current 2010 plan.

Please note that the file does not include individuals who regain deemed status after September, and thus will subsequently qualify for reassignment.

This preliminary notification can be identified by the following:

File Name: P.Rxxxxx.APDP5.PRLIM.Dyymmdd.Thhmsst.pn
 zzzzzzz.Rxxxxx.APDP5.PRLIM.Dyymmdd.Thhmsst
 [directory]Rxxxxx.APDP5.PRLIM.Dyymmdd.Thhmsst

KEY
xxxxx = 5 character contract id
yymmdd = two digit year, month, day
hhmsst = hour/minute/second/tenths of second
pn = process number
zzzzzzz = Plan-provided high level qualifier
[directory] = optional directory specified from non-mainframe C:D clients

Interim Notification to PDP Sponsors in October

After CMS conducts reassignment, CMS sends letters on blue paper to affected beneficiaries. CMS also notifies “losing” and “gaining” PDPs of individuals currently enrolled in their plan or who will be reassigned to their plan for 2011 who will receive the blue notice. For losing plans, this file can be identified by:

File name: "P.Rxxxxx.APDP5.LOSS.Dyymmdd.Thhmsst.pn" (Gentran Mailbox)
 "zzzzzzz.Rxxxxx.APDP5.LOSS.Dyymmdd.Thhmsst" (C:D mainframe)
 "[directory]Rxxxxx.APDP5.LOSS.Dyymmdd.Thhmsst" (C:D non-mainframe)
 Header Code: "MMAPDPLH"
 Trailer Code: "MMAPDPLT"

We will also provide “gaining” PDPs with an interim reassignment notification file displaying:

File name: ”P.Rxxxxx.APDP5.GAIN.Dyymmdd.Thhmsst.pn” (Gentran Mailbox)
“zzzzzzzz.Rxxxxx.APDP5.GAIN.Dyymmdd.Thhmsst” (C:D mainframe)
“[directory]Rxxxxx.APDP5.GAIN.Dyymmdd.Thhmsst” (C:D non-mainframe)

Header Code: “MMAPDPGH”

Trailer Code: “MMAPDPGT”

KEY
xxxxx = 5 character contract id
yymmdd = two digit year, month, day
hhmsst = hour/minute/second/tenths of second
pn = process number
zzzzzzzz = Plan-provided high level qualifier
[directory] = optional directory specified from non-mainframe C:D clients

The format of the one-time listing for both gaining and losing PDPs will be the same as the “PDP Auto-Enrollment Notification File” that is now used to communicate the current daily auto-assign beneficiaries and their respective addresses to plans. Please see file layout E.25 in the Medicare Advantage and Prescription Drug Plans Communications Users Guide for file format and specifications, available on the Web at <http://www.cms.gov/MAPDHelpDesk/>.

We estimate that the file resulting from PDP reassignment will be transmitted on or about October 8, 2010. For PDPs that gain beneficiaries from the reassignment for non-renewing MA plans, we estimate that a second file will be transmitted on or around October 18. We will notify PDPs separately of the exact file transmission dates.

Please note that for beneficiaries reassigned to a different plan within the same PDP sponsor, the PDP sponsor will receive two files: one identifying beneficiaries in “losing” PDPs and one identifying beneficiaries in “gaining” PDPs.

CMS will identify the region in which the beneficiary resides by first checking the state file on which the beneficiary was submitted, which may be in a different region than that of their current PDP. Thus, a PDP may receive a “gaining beneficiary” file even if none of the PDPs in their region is losing beneficiaries to reassignment. If the beneficiary was not submitted on any state file, CMS will use the beneficiary’s current address recorded in our systems to determine where the beneficiary needs to be reassigned. A PDP that receives a “gaining beneficiary” file identifying beneficiaries who have an address that is outside of the PDP’s region should not automatically disenroll such beneficiaries. Instead, the PDP should follow the procedures in §50.2.1.4 of Chapter 3 to verify whether the address on record reflects the beneficiary’s address prior to initiating a disenrollment.

PDPs with a basic benefit and a premium at or below the region-specific low income premium subsidy amount in that region will receive a “gaining beneficiary” file notifying them of such

reassignments. PDPs that volunteer to waive the de minimis amount will gain beneficiaries only if the losing PDP or MA plan is within the same parent organization. If this occurs, the de minimis PDP will also will receive a “gaining beneficiary” file notifying them of such reassignments.

The interim notifications of October 8 and 18 will include the beneficiaries’ LIS premium and copayment levels as well as their addresses. However, PDPs must wait until **after** the Transaction Reply Report (TRR) that will arrive in early November, 2010—which will contain confirmed enrollments resulting from the reassign process—before submitting the 4Rx records for those beneficiaries. This is because this interim list may not exactly match the list of beneficiaries who are ultimately enrolled in a PDP through reassignment, since voluntary beneficiary elections may occur after the preliminary file is created.

CMS Notification to Affected Beneficiaries

CMS will mail notices (printed on blue paper) to the affected beneficiaries during the first week of November. These notices will instruct beneficiaries who are being reassigned of their prospective zero premium plan, indicate the premium of their current plan, and instruct them to contact their current plan if they wish to remain with the plan for 2011. As required by the ACA, CMS will mail a second blue letter to these beneficiaries in December. This second notice will identify which drugs in their current drug regimen are on the formulary of the 2011 plan to which they are being reassigned, and how to request an exception or appeal, or file a grievance.

CMS will also send notices (printed on tan paper) to “choosers”; that is, full-subsidy eligible individuals who chose PDPs that will have a Part D premium in 2011. These notices will inform beneficiaries that they will incur a premium if they take no action, and list plans in their area that are available to them for no monthly premium. Once all these notices are finalized in September, they will be available at

<http://www.cms.gov/LimitedIncomeandResources/LISNoticesMailings/list.asp#TopOfPage>

Note: We will use the following data elements from HPMS to populate these beneficiary notices: 1) Organization Marketing Name, 2) Organization Website Address, and 3) Customer Service Number. We will use the “Auto-Enrollment Customer Service Number” if that field is populated in HPMS. If not, we will use the “Customer Service for Prospective Members - Part D” information. **Please be sure these data are entered accurately into HPMS by close of business on September 21, 2010.**

To verify/update your Organization Marketing Name and Organization Web site Address in HPMS, follow this path: Contract Management>Contract Number>Organization Marketing Data (under “General Information”).

To verify/update your plan’s customer service phone numbers in HPMS, follow this path: Plan Bids>Bid Submission>CY 2011>Manage Plans>Edit Contact Data.

Plan Communication to Affected Beneficiaries

“Gaining” PDPs are responsible for providing enrollment confirmation and enrollment materials to beneficiaries in a timely manner (see Exhibit 29 of Chapter 3). “Losing” PDPs are responsible for sending an appropriate ANOC and disenrollment confirmation to beneficiaries being disenrolled due to reassignment. A model letter for disenrollment due to reassignment is provided in Exhibit 10b of Chapter 3. Plans that are losing beneficiaries to another PDP sponsor may use the alternative ANOC (see Exhibit 30 of Chapter 3), or termination notices as described below. **“Losing” plans that want to use the alternative ANOC must notify their account managers of their intention to do so by September 17, 2010.**

Identifying Reassignments on the Transaction Reply Report (TRR)

Once CMS processes reassignment transactions, CMS will transmit a special TRR to plans in early November containing only reassignment transactions. This single TRR will contain enrollments and disenrollments due to both PDP and MA reassignments. Plans will be able to identify affected beneficiaries as follows:

Application date:

- All LIS beneficiaries reassigned due to a premium increase will have an application date of January 1, 2010.
- All LIS beneficiaries reassigned due to a plan or contract non-renewal will be identified by an application date of September 30, 2010.

Enrollment source code = H (reassign)

Transaction reply codes = TRR-212 A – Reassignment Enrollment Accepted – Reassignment enrollment request for a beneficiary into a Part D plan submitted by CMS or Plan is accepted.

Requests for “Re-Enrollment” in the “Losing” Plan

As noted above, the CMS notices on blue paper to affected beneficiaries will instruct them to contact their current plans if they wish to remain in those plans for 2011. If a reassigned beneficiary contacts the current plan and indicates that s/he wishes to remain enrolled despite incurring premium liability, **the plan sponsor must take a new enrollment election** in accordance with §40.1.1 – 40.1.3 and §40.2 F of Chapter 3. Please note that PDPs may not contact these individuals to encourage them to remain in the plan.

As part of this enrollment, consistent with §40.1.5 of Chapter 3, the PDP must confirm and document that the beneficiary understands the financial liability s/he will incur by remaining with the plan for 2011. **However, please DO NOT transmit these enrollment transactions to CMS until you receive a weekly Transaction Reply Report (TRR) confirming the beneficiary’s disenrollment from your plan.** This TRR should be available in early November, 2010. If the “re-enrollment” transaction is sent in before disenrollment (caused by the reassignment transaction) occurs, the enrollment transaction will be rejected as “beneficiary already enrolled.”

For the new enrollment transaction, use the actual application date (which is typically the date the enrollment request is received by the sponsor), an election type of “U” (Special Enrollment Period for beneficiaries who are dual and/or have LIS), and an effective date of January 1, 2011.

In order for a January 1, 2011 election to be processed timely, the PDP or the PDP’s third-party representative must transmit these enrollments in accordance with the enrollment transaction submission requirements as provided in Chapter 3.

Reassignment of LIS-Eligibles Due to Non-renewal

CMS will also reassign any LIS-eligible beneficiaries who remain LIS-eligible as of January 1, 2011, and are affected by a PDP or MA plan non-renewal. In this situation, we will reassign both those with full or partial subsidies who either were auto/facilitated enrolled into the plan or voluntarily elected the plan. The CMS reassignment and notification process will be the same as the process described above for reassignment based on premium increase except that losing PDPs and MA plans will not get the September or October losing files.

Plan Communication to Affected Beneficiaries

Consistent with 42 CFR 423.507(a), PDP sponsors that are non-renewing contracts must issue a written notice of the impending plan termination to all enrollees residing in the affected region(s). Such notices must be approved by CMS and must include a written description of the alternatives available for obtaining qualified prescription drug coverage within the PDP region, including MA-PD plans, and other PDPs. By regulation, **beneficiaries must receive this termination notice from plans no later than October 2, 2010**. CMS will release the model notice in the near future. For more information, please refer to the 2011 Combined Call Letter issued April 5, 2010, which contains complete instructions for non-renewing plans and contracts. The 2011 Combined Call Letter is located at:

<http://www.cms.gov/MedicareAdvtgSpecRateStats/Downloads/Announcement2011.pdf>

End-of-year Timeline for Reassignment

Please Note – This year’s timeline includes dates that are earlier than last year. Please be sure to adhere to the new deadlines.

August 18-23 – Part D plans with premiums within a de minimis amount of the LIS benchmark will have five calendar days to volunteer to waive that de minimis amount for individuals with 100% premium subsidy. Separate guidance will be issued with the de minimis amount.

August 27, 2010 – State Pharmaceutical Assistance Programs (SPAPs) that have authorized representative status and intend to “reassign” their beneficiaries will send their “carve-out” list to CMS. These beneficiaries will be excluded from reassignment to ensure they are moved only once.

September 17, 2010 – Plans notify account managers if they intend to use the alternative ANOC.

September 21, 2010 – Plan information in HPMS must be accurate and up-to-date by COB in order to appear correctly on CMS blue letters to beneficiaries.

On or around September 24, 2010 – CMS will send a preliminary file to PDPs losing beneficiaries because their 2011 Part D premium will no longer be at or below the regional LIS benchmark.

October 2, 2010 – Beneficiaries in terminating plans or contracts must receive termination notices from their plan.

October 8, 2010 – CMS provides preliminary lists of PDP reassignees to States, 1-800-MEDICARE, and “losing” and “gaining” PDPs.

October 18, 2010 – CMS provides preliminary lists of MA reassignees to States, 1-800-MEDICARE, and “gaining” PDPs.

October 31, 2010 - Beneficiaries in continuing plans must receive appropriate ANOC from their plan (including appropriate language for those beneficiaries being reassigned due to a premium increase).

Early November, 2010 – TRR showing successfully processed reassignments estimated to be available.

Early November, 2010 – “Gaining PDPs must submit 4Rx data within 3 calendar days of receiving the TRR confirming reassignments.

Early November, 2010

- **Within 10 calendar days of receipt of TRR showing reassignment, “Gaining” PDPs** must send beneficiaries acknowledgment that their enrollment has been accepted by CMS (See Exhibit 29 of Chapter 3).
- **Within 10 calendar days of receipt of TRR showing reassignment, “Losing” PDPs** must send beneficiaries confirmation of disenrollment due to reassignment (See Exhibit 10b of Chapter 3).

Early November 2010 – CMS mails beneficiary reassignment notices on blue paper and “choosers” letter on tan paper.

December 8, 2010 – MARx plan payment cutoff; last day to submit re-enrollments into “losing” PDPs for timely processing.

December 2010 – CMS mails reassigned beneficiaries a second blue notice identifying which drugs in their current drug regimen are on the formulary of the 2011 plan to which they are being reassigned, and how to request an exception or appeal or file a grievance.

January 1, 2011 – Reassignment effective date.

For Assistance

If you have specific policy questions about any of these instructions, please contact Tracey Baker at 410-786-7794 or Tracey.Baker@cms.hhs.gov. If you have technical questions about file format or transactions, you should contact the MMA Help Desk at 1-800-927-8069 or mmahelp@cms.hhs.gov.

Attachment A

Summary of Reassignments of LIS Beneficiaries in PDPs

This table outlines beneficiary reassignment based upon the LIS population, type of plan enrollment, and premium level.

LIS Status	2010 Plan Enrollment	2011 Plan Premium Liability	Beneficiary Reassignment	CMS Sends Letter
100% premium subsidy in 2011	Remained in assigned PDP in 2010	<u>Above</u> the 2011 regional LIS benchmark amount OR <u>At or Below</u> the de minimis amount but does not volunteer	YES	Blue Letter (Pub. 11209)
Any LIS Subsidy	Remained in auto-assigned plan in 2010 OR Chose a plan other than the auto-assigned plan	PDP and/or MA Plan terminating in 2011	YES	Blue Letter (Pub. 11208)
100% premium subsidy in 2011	Chose a PDP other than the auto-assigned plan	<u>Above</u> the 2011 regional LIS benchmark amount OR <u>At or Below</u> the de minimis amount but does not volunteer	NO	Tan Letter (Pub. 11267)

LIS Status	2010 Plan Enrollment	2011 Plan Premium Liability	Beneficiary Reassignment	CMS Sends Letter
100% premium subsidy in 2011	Remained in auto-assigned PDP in 2010 OR Chose a PDP other than the auto-assigned PDP	<u>At or below</u> the 2011 regional LIS benchmark OR <u>At or below</u> the de minimis AND the PDP volunteers to waive de minimis	NO	NO
Partial premium subsidy (25%, 50%, 75%) in 2011	Varies	Varies	NO	NO
Enrolled in continuing MA Plans, Cost Plans, Employer-Sponsored Plans, PACE organizations, or PDPs in U.S. Territories	Varies	Varies	NO	NO
100% premium subsidy in 2010 but no longer LIS eligible in 2011	Varies	Varies	NO	NO

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