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MEDICARE PLAN PAYMENT GROUP

DATE: October 3, 2014

TO: All Part D Plan sponsors, including PACE Organizations

FROM: Cheri Rice, Director
Medicare Plan Payment Group

SUBJECT: Updates to the Prescription Drug Event (PDE) layout – Adjustment Reason Code and Adjustment Reason Code Qualifier

On September 4, 2014, the Centers for Medicare & Medicaid Services (CMS) published a Health Plan Management (HPMS) memorandum titled, “Updates to the Prescription Drug Event (PDE) layout and the Coverage Gap Discount Program (CGDP) Reconciliation Reports” (hereinafter “September 4th memo”). In that memorandum, CMS explained that there will be changes to the PDE record inbound and outbound file layouts. We stated that a new PDE record layout will become effective on November 9, 2014, and would be required for all PDE file submissions on and after November 9, 2014, regardless of PDE date of service. Due to concerns with the implementation timeframes, CMS is providing sponsors additional time to implement the new file layout. This memo also addresses questions regarding the use of the Adjustment Reason Code and Adjustment Reason Code Qualifier.

As we stated in our September 4th memo, we are adding an Adjustment Reason Code field and an Adjustment Reason Code Qualifier field to the PDE record layout. The Adjustment Reason Codes and corresponding Qualifier will be used to identify PDEs that are adjusted, deleted, or submitted for the following reasons:

- Sponsor-identified overpayment, pursuant to 42 CFR 423.360
- CMS-identified overpayment
- CMS audit, when directed by CMS through audit communications
- CGDP dispute or appeal, when directed by CMS or CMS contractors
- Other, to be used in the future at CMS’ discretion

The Part D sponsor will only associate an Adjustment Reason Code and Qualifier with the primary PDE that is adjusted, deleted, or submitted. If the Part D sponsor needs to make subsequent changes to other PDEs to, for example, restack beneficiary claims, the Adjustment Reason Code and Qualifier fields on those other PDEs will be blank.

Sponsor-identified Overpayments

When a Part D sponsor makes corrections to PDE data to return an overpayment to CMS, the Adjustment Reason Code field will be populated with the twelve-digit Remedy ticket number and the Qualifier field will be populated with a value of '1'. Information on obtaining the Remedy ticket number for the purposes of reporting and returning overpayments will be provided in a future HPMS memorandum.

Pursuant to 42 CFR 423.360, an overpayment in a particular contract year cannot occur until after the "applicable reconciliation" for that contract year. The obligation to report an identified overpayment for a given year begins on the latter of the deadlines for submitting PDE or Direct and Indirect Remuneration (DIR) data for the applicable reconciliation. Therefore, the Adjustment Reason Code and Qualifier will never be used to report an overpayment prior to the "applicable reconciliation," because, by definition, an overpayment has not occurred. The Adjustment Reason Code and Qualifier fields will not be populated on PDE adjustments, deletions, or submissions made in the normal course of business prior to the applicable reconciliation to prevent an overpayment as defined in § 423.360.

CMS Audits

As stated in the September 4th memo, Part D sponsors may use the Adjustment Reason Code and Qualifier fields when changes are made to PDE data because of a CMS audit. In these circumstances, an audit communication will direct the Part D sponsor to use the Adjustment Reason Code and Qualifier fields when making PDE adjustment, deletions, or submissions to address concerns identified by a CMS audit. CMS audits may include, for example, the Office of Financial Management (OFM) 1/3 Financial Audit, audits performed by the Recovery Audit Contractor (RAC), and audits performed by the Medicare Drug Integrity Contractor (MEDIC).

CGDP Disputes and Appeals

The Adjustment Reason Codes 'DISPUTE' and 'APPEAL' will be used in relation to the manufacturer dispute process pursuant to 42 CFR 423.2330(c). A Part D sponsor will be instructed to use the 'DISPUTE' or 'APPEAL' Adjustment Reason Code if, after the final outcome of a manufacturer dispute or a manufacturer appeal, the sponsor must make changes to the PDE. For information regarding the final outcome of a manufacturer dispute, the sponsor should refer to the quarterly Dispute Resolution report released by the Third Party Administrator. CMS will provide additional guidance on the 'DISPUTE' and 'APPEAL' codes. The codes will be used when submitted PDEs related to disputes and appeals in the Q4 2014 invoices.

Future Use of the Adjustment Reason Code and Qualifier

CMS, at its discretion, may add valid Adjustment Reason Code values. If CMS elects to do this, the Qualifier would be '9', as indicated in the September 4th memo, and the Adjustment Reason

Code would be a value that CMS will define at that time. Part D sponsors should not populate the Qualifier with a value of ‘9’ unless specifically instructed by CMS to do so.

Changes to a PDE with an Existing Adjustment Reason Code and Qualifier

A Part D sponsor will not populate the Adjustment Reason Code or the Qualifier fields to report normal course of business adjustments prior to the applicable reconciliation. The Adjustment Reason Code and Qualifier will only be used for specified PDE adjustments, deletions, or submissions, as described above. In all other cases, the new fields will be blank. However, if a Part D sponsor needs to make normal course of business adjustments to a PDE that already has the Adjustment Reason Code and Qualifier fields populated, the Part D sponsor will maintain that Adjustment Reason Code and Qualifier on the adjusted, deleted, or resubmitted PDE.

The Adjustment Reason Codes are not mutually exclusive. The Part D sponsor will maintain that Adjustment Reason Code and Qualifier on the PDE, regardless of future changes to the PDE, unless the Adjustment Reason Code and Qualifier are replaced by another Adjustment Reason Code and Qualifier that takes precedence over the existing Adjustment Reason Code and Qualifier. Part D sponsors will maintain Adjustment Reason Codes on PDEs according to the following hierarchy:

1. Sponsor identified Overpayment Tracking Code (i.e., Remedy ticket number)
2. CIO (i.e., CMS-Identified overpayment)
3. OFM (e.g., Office of Financial Management 1/3 Financial Audit)
4. MEDIC (i.e., Audits performed by the Medicare Drug Integrity Contractor)
5. RAC (i.e., Audits performed by the Recovery Audit Contractor)
6. APPEAL (i.e., Appeals related to the manufacturer dispute process pursuant to § 423.2330(c))
7. DISPUTE (i.e., Disputed related to the manufacturer dispute process pursuant to § 423.2330(c))

A PDE with a Remedy ticket number will always maintain that Remedy ticket number because any other Adjustment Reason Code should not replace the Remedy Ticket number. Any other Adjustment Reason Code can replace a ‘DISPUTE’ Adjustment Reason Code.

Timeframe for Implementation and Applicable Years

The new fields will be available for use beginning November 9, 2014; however, sponsors may continue to use the old file layout until at least April 1, 2015. If the old layout is used, then the positions in the filler field must remain blank. If the new layout is used, then the new edits related to the Adjustment Reason Code and Qualifier will apply if the new fields are populated in error.

On April 1, 2015, sponsors must be ready to use the new layout, regardless of PDE date of service. Although sponsors must be ready to submit PDEs in the new file layout on April 1, 2015, a sponsor may continue to submit PDEs using the old file layout if that sponsor does not have PDE adjustment, deletions, or submissions that require use of the Adjustment Reason Code and corresponding Qualifier. Please direct questions regarding this memorandum to pdejan2011@cms.hhs.gov.