

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Beneficiary Choices  
7500 Security Boulevard, Mail Stop C4-23-07  
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**MEDICARE PLAN PAYMENT GROUP**

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**DATE:** March 29, 2006

**TO:** All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans, PACE Organizations and Demonstrations

**FROM:** Thomas Hutchinson /s/  
Acting Director

**SUBJECT: Medicare Advantage Prescription Drug System (MARx) April Payment – INFORMATION**

This letter provides information on the computation of the April payment, as well as some actions you may need to take.

State and County Code (SCC) Adjustments

As previously reported, plans received higher than normal levels of SCC adjustments in the January payment. Upon investigation, it was determined that most of these adjustments were incorrect and should not have been paid to you. The erroneous adjustments did not re-occur in subsequent monthly payments. The correction of this error has been completed and CMS has recouped the erroneously paid amounts from the April payment. The corrections are reported on the MMRs.

Monthly Premium Withhold Report (MPWE)/Withhold Issues

The third version of the Monthly Premium Withhold report will be provided to you with the other April monthly reports from MARx. This report contains any premiums withheld from members' March checks and is based on any transactions that SSA was able to process up to February 7. Many of your members electing the SSA premium withhold option will appear on the report this month with adjustments to account for January, February and March premiums. Again, we ask you not to directly bill members that do not appear on this file unless you receive a transaction reply code 144 which informs you the member remains direct bill because SSA attempted to withhold premium but was unable to do so.

Please note that MARx has yet to process all the transactions before month end that would change members to direct bill. These will be processed in the next week or two and appear on the weekly TRRs.

Please also note that due to higher than expected rejections of withhold transactions by SSA a code change is being developed by CMS. This is expected to go into production by March 31. CMS will re-send the rejected transactions to SSA and the results will appear on the MPWE you receive at the end of April.

### Adjustment Reason Code 19

For some adjustment reason codes related to Part D payment, dollars were generated in payment components invalid for the specified adjustment reason code. As an example: for adjustment reason code 34 (retroactive basic Part C premium change), there should not be any Part D Direct Subsidy dollars computed as part of this adjustment type. Until this can be resolved, dollars in these “invalid” payment components will be shown on your plan payment report under code 19. Code 19 was selected because it is a valid code for all Part D payment components. The aggregate payment to your plan will tie to the Monthly Membership Detail report, but it will not for the impacted adjustment reason codes. The amount shown in the Plan Payment Report under adjustment reason code 19 is the total of adjustment reason codes where there is a blank on the Plan Payment Report, but a transaction in the MMR Detail. This issue will be fixed on your May plan payment reports.

### Inappropriate Part C and Part D Adjustments

For some beneficiaries dually enrolled in a PDP and in a plan that does not offer Part D (e.g., cost plan) who disenroll from their PDP, Part A/B payment adjustment dollars are incorrectly computed and applied against the PDP’s payment. The opposite scenario also occurs; e.g., when a dually enrollment beneficiary disenrolls from their MA plan, Part D payment adjustment dollars are incorrectly computed and applied against the MA plan’s payment. In addition, PDPs continue to have negative A/B adjustment dollars applied to their payments for some retroactive enrollments (adjustment reason code 02). These issues are still being investigated. You will be notified when these clean-ups will occur.

### Incorrect Low Income Premium Subsidy Amount on the MMR

For the April 1<sup>st</sup> payment the MARx system has been corrected to eliminate a problem that had been causing the Low Income Premium Subsidy Amount to be incorrectly reported in a small number of cases.

Plans had reported cases where an incorrect Low Income Premium Subsidy Amount appeared on the Monthly Membership Data File in January, February or March. These cases could be identified by comparing the sum of the individual payment components to the Total Part D Payment (field 61) and finding a difference.

Investigation determined this problem might occur when a low income beneficiary was enrolled in both a PDP and another plan at the same time (for example, a cost plan), then disenrolled from the first PDP and enrolled into a second PDP. In these cases the Low Income Premium Subsidy amount included in the Total Part D Payment was calculated correctly based upon the data from the second PDP.

However, the amount included in the Low Income Premium Subsidy Amount (field 35) was incorrectly based upon data from the first PDP. The incorrect amount was also passed into production of the Plan Payment Report resulting in either overstating or understating net plan payment.

A future letter will provide more detail about the correction of the net plan payments affected by this problem. We expect these adjustments to be relatively small.

We will not re-generate the Monthly Membership reports for this problem. Plans can determine the correct amount of Low Income Premium Subsidy that should have been paid by increasing or decreasing the amount reported in the Low Income Premium Subsidy Amount by the difference found in comparing the sum of the payment components to the Total Part D Payment.

Some issues related to discrepancies between the total Part D payment and its components may still remain. These will be addressed in future clean-ups.

Medicare Secondary Payer (MSP) Flags

The flags to identify your MSP members were scheduled to be populated on the April MMR. This has been delayed to the June MMR. These flags will identify members that either you reported as working aged or we found to be working aged (or MSP for risk adjustment purposes) when we checked your non-respondents late in 2005. These members are the basis for your contract-level MSP factors.

If you have any questions or issues that you wish to discuss, please feel free to contact your Division of Payment Operations representative directly (per Appendix B in the Plan Communications User's Guide).

cc: Mr. Gary A. Bailey, CMS  
Mr. Thomas E. Hutchinson, CMS  
Ms. Cynthia Tudor, CMS  
Ms. Marla Kilbourne, CMS  
Ms. Julie Boughn, CMS  
RO HMO Coordinators  
DPO