

Plan to Plan Reconciliation Instructions (Phase I – Post Enrollment Reconciliation)

CMS has developed a methodology to facilitate Plan to Plan (P2P) financial reconciliation. P2P financial reconciliation is a settlement process by which the Plan of Record repays any plan that paid for Part D drugs in good faith when Part D plan enrollment data were not up-to-date. The following P2P Phase I guidance applies to dates of service between January 1, 2006 and April 30, 2006.

Three terms warrant clarification: P2P financial reconciliation, enrollment reconciliation and EOB transfer data. P2P financial reconciliation is based on Prescription Drug Event (PDE) data. Enrollment reconciliation is a P2P prerequisite. Enrollment reconciliation was a one-time clean-up activity that updated enrollment data as of April 30, 2006 and communicated that status to plans. The P2P process relies on stable enrollment data to accurately identify the Plan of Record. The EOB data transfer and P2P are parallel but separate processes. On April 7, 2006 during Enrollment reconciliation CMS published instructions for a temporary process primarily to explain how plans identified beneficiaries to whom the EOB transfer requirement applied. The EOB transfer requirement itself applies whenever a beneficiary transfers from one plan to another. It mandates that the transfer-out plan forward Year to Date (YTD) TrOOP and gross covered drug cost balances to the transfer in plan. Neither Enrollment reconciliation nor P2P alters the requirement in any way. For additional information about EOB transfer processes, see the 2007 COB Guidelines (scheduled for release in draft by June 30, 2006).

The P2P process this guidance addresses is supplemental to existing PDE processing. The following PDE references provide a framework for this P2P discussion.

PDE instructions are published at:

<http://www.cms.hhs.gov/DrugCoverageClaimsData/RxDrugEventDataGuidance.asp>

Please see www.cssoperations.com for:

2005 Participant Training Guide

Edits

Report File Layouts

This final guidance will be published initially with the HPMS bulletins on:

<http://www.cms.hhs.gov/PrescriptionDrugCovContra/HPMSGH/list.asp#TopOfPage>

At a later date we will incorporate P2P Guidance in the PDE Instructions and in the PDE Participant Training Guide at the sites referenced above.

Objectives: P2P Reconciliation meets two main objectives. It corrects payment discrepancies that occurred during program start-up and it enables Part D Payment Reconciliation.

Clean-up Start-up: To protect the best interests of beneficiaries during Part D start-up, many plans suspended routine eligibility rules and paid for claims even when enrollment status was unclear. Later both the plans and CMS learned that plans who paid for claims in good faith did not always receive prospective Part D payments. CMS makes prospective Part D payments to the Plan of Record which is the plan documented on the Medicare Advantage-Prescription Drug (MARx) system on the date of service (DOS). P2P provides a mechanism for the Plan of Record to pay back the original plan that paid the claim in good faith. This prevents reversals and rebills at pharmacies and helps protect the beneficiary.

Part D Payment Reconciliation: For purposes of Part D Payment Reconciliation, all PDE-reported costs must be attributed to the Plan of Record. Plans cannot exchange Prescription Drug Event (PDE) records because the NDC and cost fields in the PDE document negotiated price which is considered proprietary. P2P enables Part D Payment Reconciliation by summarizing PDE data to the beneficiary level and transferring the beneficiary summary data to the Plan of Record.

Definitions:

P2P PDEs: P2P PDEs are PDEs in which the submitting contract differs from the contract on file in MBD on the date of service documented in the PDE. P2P PDEs report covered drugs. Only covered drugs are subject to P2P settlement and Part D Payment Reconciliation. In other words, P2P applies only to basic Part D benefits as defined in statute. Note that formulary status, contractual status of pharmacy, utilization management edits, etc. are not relevant as payment of all such costs falls under CMS transition policy requirements.

Plan of Record: The Plan of Record is the Part D sponsor with the beneficiary enrollment as documented in CMS databases.

Plan A: Plan A describes the Part D sponsor that paid for claims in good faith; however, it was not the Plan of Record on the date of service for the claim. In some cases multiple Plan As paid on behalf of a single Plan of Record so we use the designation Plan A-1, Plan A-2, etc. When we discuss the Plan A relationship in general, we use the term Plan A. When we discuss specific report details, we uniquely identify each Plan A as Plan A-1, Plan A-2, etc.

Plan B: Plan B is Plan of Record on the date of service for the claim. Plan Bs received prospective Part D payments from CMS. Just as there can be multiple Plan As for any single Plan B, there can be multiple Plan Bs for any single Plan A (i.e., Plan A may have paid claims for multiple beneficiaries enrolled in different Plan Bs), so we use the same convention, Plan B-1, Plan B-2, etc.

Part D Payment Reconciliation: Part D Payment Reconciliation is the statutorily defined reconciliation. It is conducted on a benefit year basis, after the completion of the benefit year. The term reconciliation also describes two other processes, the P2P reconciliation process and the State to Plan reconciliation process. We will deliberately use the term Part D Payment Reconciliation to differentiate from these other uses of the term reconciliation.

P2P Reconciliation: P2P reconciliation is the financial settlement between two Part D sponsors in which each Plan B compensates each Plan A for all covered plan paid (CPP) amounts and low income cost sharing subsidies (LICS) paid by Plan A for Plan B's enrollees.

Scope: Phase I of the P2P process is required for any sponsor that paid a claim for a Part D drug for a DOS on or before 4/30/2006 when CMS eligibility files document that the beneficiary was enrolled in a different plan on that DOS. The P2P process is subject to two constraints regarding negotiated prices and pharmacy reversals. The pharmacy industry considers negotiated prices to be proprietary. Because CMS cannot disclose proprietary data, all P2P reporting summarizes claims data at the beneficiary level without revealing negotiated price. Secondly, the P2P process specifically avoids pharmacy involvement as a way to resolve P2P payment issues. Pharmacies cannot absorb the workload to reverse and rebill the high volume of

claims affected by P2P or collect/reimburse differences in cost-sharing from beneficiaries. CMS specifically prohibits Part D sponsors from reversing claims to pharmacies instead of or in addition to participating in the P2P process outlined in this guidance.

The P2P process does not apply to non-covered drugs which are defined as enhanced alternative drugs (drug coverage status E), or over the counter drugs used in step therapy (drug coverage status O). Claim volume for "E" and "O" drugs should be minimal. Plan A has the option to recover any amounts paid for "E" and "O" drugs directly from the beneficiary. The amounts included in P2P are only the CPP and LICS. P2P will apply only when the submitting contract is different than the plan of record, i.e., it will not apply to PBP differences within the same contract. Contracts are responsible for reporting under the correct PBP when the submitting plan is also the plan of record.

The P2P process outlined here includes all claims activity with dates of service through the end of the enrollment reconciliation process, April 30, 2006. CMS has considered options of an ongoing P2P process for future enrollment changes, but that policy has not been finalized. We are also discussing a future release to update the Plan of Record when it changes after PDE processing.

Plan A has sole responsibility for submitting P2P PDEs adjudicated per its own benefit design and Plan B does not have responsibility to validate the financial data received in P2P reports. Note that Plan A shall never alter plan paid or patient paid amounts on drug claims in order to match Plan B's benefit design. In rare situations the beneficiary may ask Plan B to retroactively apply the Plan B benefit to a claim originally paid by Plan A. Those adjustments must ultimately be made by Plan B at the beneficiary's request and can only result in lower cost-sharing. Plan B cannot modify PDE data; however it may report any additional amounts paid to the beneficiary as Direct and Indirect Remuneration (DIR).

Authority: Under 423.464(a), Part D plans have an obligation to coordinate benefits with entities providing other prescription drug coverage to Part D eligible individuals. This obligation includes other Part D plans. CMS has determined that the P2P process is the most reasonable way to coordinate correction of claim payments made by the wrong plans during the first few months of Part D implementation when enrollment status was uncertain for a sizable number of beneficiaries. Therefore, CMS requires all Part D plans to participate in this process for all cases in which drugs were paid by Plan A on a date when the affected beneficiary was enrolled in Plan B during a transition period. That transition period applies to all beneficiaries in the enrollment reconciliation process through April 30, 2006.

Responsibilities: The facilitated P2P process involves three parties for each PDE: the submitting plan (Plan A), the plan of record (Plan B) and CMS. Each will have specific roles and responsibilities.

- CMS will provide capacity to accept the data and report back to each affected plan the appropriate information to facilitate P2P reconciliation.
- Plan A is required to submit accurate and timely PDEs that represent all Part D covered claims that Plan A paid, making adjustments and reversals where appropriate.
- Plan A must attest to the accuracy of all submitted PDEs, including those for P2P reconciliation. All submitted PDE data is subject to audit.
- Plan A must retain (and report as DIR) any rebates earned for P2P claims.
- Plan B is required to make timely payment to Plan A for all CPP and LICS reported on the monthly reports as outlined below. Plan B has no authorization to require any additional documentation or attestations regarding the accuracy of Plan A's financial data on the P2P reports.
- Plan B is required to certify payment of all P2P amounts due to all Part D sponsors. CMS will not reconcile P2P amounts that have not been certified as paid.

Plan B must pay P2P payables to Plan A within thirty days of the date on which CMS distributes P2P reports. Plans must promptly open and review monthly reports in order to meet P2P payment timeframes. Plans make payments without intervention from CMS. CMS does not dictate the manner in which the payment is made. Plans should contact the "P2P Contact" scheduled to be posted by CMS no later than August 1. CMS will release additional "P2P Contact" instructions separate from this guidance.

P2P Process: Around August 1 (pending finalization of these requirements) CMS expects to complete Drug Data Processing System (DDPS) changes necessary to implement P2P. These changes include edit modifications, limited data base and table changes to store the Plan of Record (i.e. the Plan B identity), and significantly expanded reporting that enables plan to plan settlements and Part D Payment Reconciliation.

P2P is a seven-step process beginning with PDE submission, continuing with DDPS processing and reporting, and concluding with ongoing plan settlements.

1. PDE Submission: Plan A submits PDEs using exactly the same PDE record layout and submission protocol in use today. DDPS identifies P2P PDEs independent of any special designation from Plan A. We anticipate that Plan A will send files that intermingle P2P PDEs with routine PDEs. However, Plan A may submit P2P PDEs in separate files if it wishes. DDPS processing is indifferent.

We emphasize that only Plan A has authority and responsibility to author P2P PDEs. By the time P2P is implemented in DDPS, claims data from the P2P period should be stable. However, if a claim reversal, retroactive LICS eligibility or some other adjustment occurs after DDPS accepted the original PDE, Plan A must update the PDE information on file. (In the future Plan A will receive notice about retroactive LICS eligibility. CMS is updating its systems to report retroactive LICS changes to any plan in which the beneficiary was enrolled.) Plan A must submit timely data because the P2P settlement process by which Plan A is paid begins only when DDPS accepts P2P PDEs.

2. DDPS processes PDEs: To implement P2P DDPS will utilize new editing which will allow it to accept P2P PDEs and report P2P status back to Plan A. In all other ways DDPS editing and decisions to accept or reject PDEs remain unchanged. Figure 1A displays the existing edit process, and Figure 1B displays the new process that will accept P2P PDEs. The specific edit changes are:
 - **Edit 706 disabled:** Currently edit 706 confirms that the beneficiary was enrolled in the Plan on the DOS. Today DDPS rejects all PDEs that fail edit 706. This edit will be bypassed when the submitting plan and the plan or record differ.
 - **New informational edit 708:** Edit 708 will identify P2P PDEs for covered drugs (Drug Coverage Status Code = 'C'). PDEs receiving edit 708 will be *included* in Plan A's P2P reconciliation with Plan B.
 - **New informational edit 709:** Edit 709 identifies P2P PDEs for enhanced alternative drugs and Over-the-Counter drugs (Drug Coverage Status Code = 'E' or 'O'). PDEs receiving edit 709 will be *excluded* from Plan A's P2P reconciliation.
3. DDPS stores the Plan of Record contract and PBP numbers with the PDE to support reporting, P2P reconciliation, and Part D Payment Reconciliation.
4. DDPS sends back the return file to Plan A. If either edit 708 or 709 apply, DDPS changes the record type to informational (INF). If edit 708 applies, DDPS also

annotates the Plan B contract number in positions 441-445 (before corrected HICN). DDPS does not report plan of record on PDEs receiving edit 709 because these PDEs are exempt from P2P reconciliation.

5. DDPS sends reports to both Plan A and Plan B each month. Reports reflect both cumulative amounts and monthly change. (Reports are discussed in further detail below).
6. The DDPS monthly reports serve as Plan A's invoice to Plan B. Plan B shall pay each Plan A the amount reflected on the monthly change report.
7. The cumulative report to Plan B will serve as the record of the amounts that will be attributed to Plan B's Part D Payment Reconciliation as a result of P2P reconciliation.

Reports: The new P2P reports enable PDE accounting, P2P settlement and Part D Payment Reconciliation. The P2P reports that Plan A receives are only for PDE accounting and P2P reconciliation. Plan B receives P2P reports for P2P reconciliation and Part D Payment Reconciliation. To summarize, plans receive P2P reports that are relevant to their roles. Only Plan A receives the PDE accounting report because Plan A submits PDEs. Only Plan B receives the Part D Payment Reconciliation report because CMS assigns those costs to Plan B only. Both Plan A and Plan B receive P2P settlement reports because both plans receive and/or pay P2P financial settlements.

DDPS distributes report data in flat files. Whenever possible, we retain current flat file structure. The current structure consists of a contract header, batch header, detail records, batch trailer, additional batch header, detail record, batch trailer sequences when necessary and a contract trailer. The batch trailer record subtotals the financial data for the detail records within the batch. The contract trailer record has the grand total for all the batches in the file. We retain header and trailer data elements in the same positions as the existing cumulative management reports. However, the batch level records have new identifiers in two of the reports to account for the special batching that is being done to facilitate the P2P reconciliation.

This document summarizes layouts, contents, purpose and other summary data about the reports. See attached "P2P Report Summary" for a comparison of report characteristics.

Plan A Reports: Plan A reports document amounts Plan A paid for drugs when Plan A was not the Plan of Record. Plan A receives two reports: the P2P PDE Accounting Report (Report 40) and the P2P Receivable Report (Report 41). There is a P2P PDE Accounting Report for each of the three drug coverage status codes ("C"-covered, "E"-enhanced and "O"-over the counter).

P2P PDE Accounting Report (Report 40COV, 40ENH and 40OTC)

A YTD cumulative report that documents cumulative amounts reported by Plan A. Similar to the existing Report 4 "YTD Cumulative Beneficiary Summary Report", there is a detail record for each beneficiary. As in Report 4, the batch level summarizes by each of Plan A's PBPs, and the header level summarizes by the contract.

The P2P PDE Accounting Report for Covered Drugs (Report 40COV) generally uses the same format in Report 4, but adds Plan B contract number to the end of the detail record.

The P2P PDE Accounting Reports for Enhanced Drugs and Over the Counter Drugs (Reports 40ENH and 40OTC) do not report Plan B contracts on the detail record because there will be no P2P reconciliation for these drugs. (These reports are provided for plan convenience to assist in PDE accounting.) We expect a low volume of E and O drugs in this process because not all plans offer E and O drugs. No other P2P report will carry these records.

For purposes of PDE accounting, Plan A should confirm that the totals on Report 4 and the P2P PDE Accounting Reports equal the net totals for all PDEs accepted in DDPS (i.e. ACC and INF PDES on the return file). Totals should match at the beneficiary level, the contract/PBP level and the contract level.

General layout is as follows:

- Submitting Plan = Contract A
- Plan of Record = Contract B-1, B-2, B-3, etc.
- Report Recipient = Contract A
- File Structure:
 - CHD**
 - Contract A
 - PHD**
 - Contract A/PBP
 - DET**
 - Bene/ Contract B-1
 - Bene/ Contract B-2
 - Bene/ Contract B-3
 - PTR**
 - Contract A/PBP
 - CTR**
 - Contract A

P2P Receivable Report (Report 41COV). A monthly report that documents the net change in P2P reconciliation receivable amounts. This report is substantially smaller than Report 4 and the P2P PDE Accounting Report. The detail records display the twelve fields necessary for P2P reconciliation and Plan B's Part D Payment Reconciliation. This report is batched by Plan B contract numbers. The summary data on the batch trailer record serves as Plan A's record of the amounts receivable from each Plan B. Upon receipt Plan A reviews that P2P Amount field and Plan of Record to learn how much money it will receive and from whom. Plan A expects to receive that payment within thirty days of the date that CMS distributed the report.

In the unusual event of a net overpayment to Plan A, the P2P amount will be negative. In other words interpret a negative P2P amount on this report as a Plan A payable. Plan A must pay back Plan B within 30 days of the date CMS distributes this report.

General layout is as follows:

- Submitting Plan = Contract A
- Plan of Record = Contract B-1, B-2, B-3, etc.
- Report Recipient = Contract A

File Structure:

CHD

Contract A

PHD

Contract B-1

DET

Bene

PTR

Summary of monthly amounts due from Contract B-1

PHD

Contract B-2

DET

Bene

PTR

Summary of monthly amounts due from Contract B-2

PHD

Contract B-3

DET

Bene

PTR

Summary of monthly amounts due from Contract B-3

CTR

Summary of all monthly amounts due to Contract A

Plan B Reports: Plan B receives two reports: the P2P Part D Payment Reconciliation Report (Report 42COV) and the P2P Payable Report (Report 43COV). Plan B reports are extracted from the data in covered drug version of the P2P PDE Accounting Report (Report 40COV) and are sorted in two different ways. When Plan B owes money to multiple Plan As, the Plan B reports combine the covered drug version of the P2P PDE Accounting Report data from each Plan A.

P2P Part D Payment Reconciliation Report (Report 42COV)

YTD cumulative report of all amounts reported by Plan As that will be used in Plan B's Part D Payment Reconciliation. The detail records in this report have the same data as the detail records in Report 41, with the addition of Plan A's contract number. The report is batched by Plan B's PBPs, allowing for incorporation in Plan B's Part D Payment Reconciliation (which is always performed at the Contract/PBP level).

To understand the status of Part D Payment Reconciliation, Plan B will sum the totals on Report 4 and the P2P Part D Payment Reconciliation Report. These combined totals, in comparison to the Plan's prospective payments reported on the MMR are the basis for Part D Payment Reconciliation.

Submitting Plan = Contract A-1, A-2, A-3, A-etc.

Plan of Record = Contract B

Report Recipient = Contract B

File Structure:

CHD
Contract B
RHD
PBP B 001
DET
Bene/Contract A-1
DET
Bene /Contract A-2
DET
Bene /Contract A-1
RTR
YTD Part D Payment Reconciliation amounts for PBP B 001
RHD
PBP B 002
DET
Bene /Contract A-1
DET
Bene /Contract A-3
RTR
YTD Part D Payment Reconciliation amounts for PBP B 002
CTR
YTD Part D Payment Reconciliation amounts for Contract B

P2P Payable Report (Report 43COV)

This report serves as Plan B's invoice for P2P reconciliation. The detail records are precisely the same as those in 41COV but the batching is different. This report is batched by Plan A identity. The batching in this report is by Plan A, allowing summary records of amounts owed to be created at the batch level. Upon receipt Plan B reviews that P2P amount field and Plan of Record on this report to learn how much money it must pay and to whom. Plan B makes payments to each plan of record within thirty days of the date that CMS distributed the report.

Submitting Plan = Contract A-1, A-2, A-3, A-etc.

Plan of Record = Contract B

Report Recipient = Contract B

File Structure:

CHD

Contract B

SHD

Contract A-1

DET

Bene

STR

Summary of monthly amounts owed to Contract A-1

SHD

Contract A-2

DET

Bene

STR

Summary of monthly amounts owed to Contract A-2

SHD

Contract A-3

DET

Bene

STR

Summary of monthly amounts owed to Contract A-3

CTR

Contract B total monthly amounts owed to all contracts