Plan to Plan Reconciliation

CMS has developed a methodology to facilitate Plan to Plan (P2P) financial reconciliation. The purpose of this document is to review that draft methodology and request feedback. We are distributing this draft document in advance of discussion during the May 5, 2006 Special MA/PDP Operational User Group call. The process we outline is supplemental to existing Prescription Drug Event (PDE) processing. Please distribute this information to staff members who are familiar with existing PDE guidance and who have experience with current PDE data submission and reporting and who understand the financial impact of PDE data. The following references provide a framework for this P2P discussion.

> PDE instructions are published at:
> http://www.cms.hhs.gov/DrugCoverageClaimsData/RxDrugEventDataGuidance.asp
>
> Please see www.csscoperations.com for:
> >   2005 Participant Training Guide
> >   Edits
> >   Report File Layouts

Please note that this draft guidance will not be available on either of the above web sites until final. While it remains in draft, it will be published with the HPMS bulletins on:
http://www.cms.hhs.gov/PrescriptionDrugCovContra/HPMSGH/list.asp#TopOfPage

Objectives: P2P Reconciliation meets two main objectives. It corrects payment inequities 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 may be for covered drugs, enhanced alternative drugs or over-the-counter drugs. Only P2P PDEs for 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.

Plan of Record: The Part D sponsor that CMS databases reflect as having the beneficiary enrolled.

Plan A: Plan A describes the Part D sponsor that paid for claims in good faith; however, it is not Plan of Record on the date of service for the claim. In some cases multiple organizations may have paid for claims pertaining to 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, as documented on MBD when we process P2P Prescription Drug Event (PDE) record. 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: 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: The P2P process is required for any sponsor that paid a claim for a Part D drug for 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 process does not apply to non-covered drugs, enhanced alternative drugs (drug coverage status E), or over the counter drugs used in step therapy (drug coverage status O). 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 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 through the end of the enrollment reconciliation process, April 30, 2006. CMS has discussed options of an ongoing P2P process for future enrollment changes, but that policy has not been finalized. Other potential future releases related to P2P reconciliation include:
- updating the Plan of Record when it changes after PDE processing; and
- allowing the Plan of Record (Plan B) to adjust a P2P PDE if a beneficiary requests that Plan B reduce the patient pay amount due to differences in Plan A and Plan B's benefit designs.

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. Those adjustments must ultimately be made by Plan B and can only be made to the benefit of the beneficiary and at the beneficiary's request.

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 in all cases where 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 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 data on the P2P reports.
- Plan B is required to certify all P2P payments made to all Part D sponsors. CMS will not reconcile P2P amounts that have not been certified as paid.
- Timeliness and certification requirements will be released in follow-on 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.

This P2P proposal outlines a 6 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 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 or some other adjustment occurs after DDPS saved the original PDE, Plan A must update the PDE information on file. Plan A must submit timely data because the P2P settlement process by which Plan A is paid begins only when DDPS saves 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 save 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 for the P2P process.
- **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 settlement.
- **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 settlement.

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 returns the response file to Plan A. If either edit 708 or 709 apply, DDPS changes record type to informational (INF). If edit 708 applies, DDPS annotates the Plan B contract number in positions 441-445 (before corrected HICN).

5. DDPS sends reports to both Plan A and Plan B each month. Reports reflect both the 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 P2P settlement and Part D Payment Reconciliation. The P2P reports that Plan A receives are only for P2P reconciliation. Plan B receives P2P reports for both P2P reconciliation and Part D Payment Reconciliation. DDPS distributes report data in flat files. Whenever possible, we retain current flat file structure. Each P2P report 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. 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 are displayed in Table 1; and the full report layouts are attached as individual Excel spreadsheets.

Plan A Reports: Plan A reports document amounts Plan A paid for drugs when Plan A was not the Plan of Record.   The Plan A reports are:

> Report 40 (40COV, 40ENH and 40OTC)
> A YTD cumulative report that documents cumulative amounts reported by Plan A that will be subject to P2P reconciliation. Similar to the existing Report 4 "YTD Cumulative Beneficiary Summary Report", there is a detail record for each beneficiary. Report 40 generally uses the same format in Report 4, but adds Plan B contract number to the end of the detail record. As in Report 4, the batch level summarizes by each of Plan A's PBPs, and the header level summarizes by the contract.
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> Note: The 40ENH and 40OTC reports are provided to help Plan A compare totals to response files. We expect a low volume of E and O drugs in this process. Not all plans offer E and O drugs and they are not subject to P2P reconciliation. No other P2P report will carry these records. Because there will be no P2P reconciliation for these drugs, the 40ENH and 40OTC reports contain no Plan B contracts on the detail record.
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> General layout is as follows:
> > Submitting Plan = Contract A
> > Plan of Record = Contract B-1, B-2, B-3, etc.
> > Report Recipient = Contract A
> > Report Groupings:
> > > **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

Report 41 (41COV)
A monthly report that documents the net change in P2P reconciliation amounts. This report is substantially smaller than Reports 4 and 40. The detail records are reduced to the data elements necessary for Plan A's P2P reconciliation and Plan B's Part D Payment Reconciliation.   This report is batched by Plan B contract numbers. This allows a summary trailer record for each Plan B to be created. The batch summary record serves as Plan A's record of the amounts receivable from each Plan B.

General layout is as follows:
Submitting Plan = Contract A
Plan of Record = Contract B-1, B-2, B-3, etc.
Report Recipient = Contract A
Report Groupings:
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 reports are extracted from the data in Report 40-C and sorted in two different ways. When Plan B owes money to multiple Plan As, the Plan B reports combine the Report 40-C data from each Plan A. Plan B reports are:

> 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).
>> Submitting Plan = Contract A-1, A-2, A-3, A-etc.
>> Plan of Record = Contract B
>> Report Recipient = Contract B
>> Report Groupings:
>>> **CHD**
>>> Contract B
>>>> **PHD**
>>>> PBP B 001
>>>>> **DET**
>>>>> Bene/Contract A-1
>>>>> **DET**
>>>>> Bene /Contract A-2
>>>>> **DET**
>>>>> Bene /Contract A-1
>>>> **PTR**
>>>> YTD Part D Payment Reconciliation amounts for PBP B 001
>>>> **PHD**
>>>> PBP B 002
>>>>> DET
>>>>> Bene /Contract A-1
>>>>> DET
>>>>> Bene /Contract A-3
>>>> **PTR**
>>>> YTD Part D Payment Reconciliation amounts for PBP B 002
>>> **CTR**
>>> YTD Part D Payment Reconciliation amounts for Contract B

Report 43COV
Monthly report of amounts payable to each Plan A. This report serves as Plan B's invoice
for P2P reconciliation. The detail records are precisely the same as those in 41COV. The
batching in this report is by Plan A, allowing summary records of amounts owed to be
created at the batch level.

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