

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Beneficiary Choices  
7500 Security Boulevard, Mail Stop S3-16-16  
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## **MEDICARE PLAN PAYMENT GROUP**

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**DATE:** September 11, 2006

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

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

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

This letter provides information related to your September payment and related MARx processing issues that are applicable.

### **IMPORTANT - Change to the November 2006 Cutoff Date**

To allow CMS to complete end of year processing in a timely manner, the MARx cutoff date **in November will be moved from 11/15 to 11/8**. Plans must submit enrollments by 11/8 in order to receive a December 1 payment for these individuals.

### **IMPORTANT – Reminder of the December 2006 Cutoff Date**

The MARx cutoff date **in December remains 12/8**. Plans must submit enrollments by 12/8 in order to receive a January 2 payment for these individuals.

### **Cost Plan Payment Rates**

As part of the August monthly processing, MARx re-computed the payments for cost plans based on the per member per month (PMPM) rate in effect for a given month. As of August 1, all members of cost plans are paid at the proper amounts. Prior month's payments are also adjusted if applicable. Previously, members were paid at the PMPM rate in effect on January 1, 2006, or at the rate in effect for the month that they enrolled in the cost plan. As a result, only new enrollees were getting paid at the current rate. This problem has been resolved. These updates will continue for cost plans that have rate changes during the year.

### **User Fees**

The September payment is the last time that user fees will be assessed this year. As a result, the Coordination of Benefits (COB) user fee will be increased to twelve cents per Part D member (to comply with the cap of \$1 per member per year). The National Medicare Education Campaign (NMEC) user fee percentage is increased from .058% to .16744% so that the remainder of the cap of \$34.4M for MA plans can be collected. The NMEC user fee

percentage for PDPs is increased from .051% to .38318% so that the remainder of the cap of \$21.4M can be collected.

### **Creditable Coverage and LEP**

This is a reminder that LEP will begin to be assessed in your August payment for applicable members. Please ensure that you code your enrollment transactions properly. If the member is NOT subject to a LEP, input zeros in the noncovered months field and a Y in the creditable coverage field. Failure to follow this coding scheme will result in MARx computing an LEP for the member. If the member IS subject to a LEP, input the number of noncovered months in the noncovered months field and an N in the creditable coverage field.

### **Missing Part A/B Dollars for Adjustment Reason Code 26**

Per the August payment letter, the risk adjustment factor update was shown as follows on the August MMR.

- Adjustment reason code 26 was used for beneficiaries with ONLY a change to their A/B factor. Part A and B dollars will be associated with this code.
- Adjustment reason code 41 was used for beneficiaries with a change in their A/B AND D factors. Part A, B and D dollars will be associated with this code.

All of the Part A and B dollars should have been show under adjustment reason code 26 and should have been passed to the payment system in that manner. The plan payment report does not support Part A and B dollar amounts for adjustment reason code 41, so these amounts were dropped from the report and were not included in your August 1 monthly payment.

To address this issue, CMS made interim payments equal to the amounts of the missing A/B dollars to impacted plans during the first week of August. These dollar amounts were negative for a subset of plans; i.e., their August payment should have been reduced. These offsets will be processed as a plan-level adjustment as part of your September payment and will be shown on the plan payment report.

### **Payment Adjustment for Employer Plans**

Plan-level adjustments will also be processed for employer plans if improper negative rebate adjustments were processed by MARx. The rebates were associated with the reduction of the Part D premiums. These amounts will be shown on your September plan payment report.

### **Adjustment Code 41 Cleanup #1**

When MARx conducted the risk adjustment reconciliation in your August 2006 payment, Part D overpayments occurred for members dually enrolled in two plans; e.g., a PDP and a cost plan. MARx paid the amount computed as the new payment based on the new Part D risk adjustment factor instead of paying the net difference between the initial payment rate and the new payment rate. The clean-up recomputed those adjustments as the net difference and this resulted in negative adjustments associated with adjustment reason code 41 in your September payment.

**Adjustment Code 41 Cleanup #2**

When MARx conducted the risk adjustment reconciliation in the August 2006 payment, it incorrectly adjusted the reinsurance, low-income cost-sharing and low-income premium subsidy components of the Part D payment. Only the direct subsidy component of the payment should have been impacted by this reconciliation. This resulted in overpayments to the plans. The cleanup recomputed these payments removing the erroneous amounts associated with the payment components that should not have been included. These amounts are also included in the adjustment code 41 dollars in your September payment.

As part of the August payment, plan-level adjustments were input to address this issue. Now that the cleanup has been done, these adjustments will be reversed as part of an interim payment (if positive) or as part of the October payment (if negative). You will be notified when this occurs.

If you have any questions or issues that you wish to discuss, please feel free to contact your Division of Payment Operations representative per the attached list.

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Mr. David Lewis, CMS  
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4/2006

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