



MEDICARE PLAN PAYMENT GROUP

Date: May 3, 2007

To: All Part D Plan Sponsors

From: Tom Hutchinson
Director

Subject: 2008 Medicare Prescription Drug Benefit Attestation of Pricing Approach

On July 20, 2006, CMS issued the memo “Modified Q&A Addressing Drug Costs Reported on Prescription Drug Events (PDEs)”, in which CMS stated that for contract years 2006 and 2007, a Part D sponsor that uses a PBM may use either the lock-in amount or the pass-through amount as the basis for calculating beneficiary cost-sharing and gross covered drug costs throughout the benefit, as well as reporting drug costs on EOBs and PDE records. CMS expanded this guidance for contract year 2008 in the “Notification of Changes in Medicare Part D Payment for Calendar Year 2008”, released on April 2, 2007. Thus, for plan year 2008, as in 2006 and 2007, Part D sponsors that use a PBM may apply either the pass-through or lock-in approach when calculating cost-sharing and reporting drug costs. Part D sponsors must choose only one approach for each plan and cannot switch between them for purposes of calculating cost-sharing and reporting drug costs. The chosen pricing approach must be used consistently as a basis for:

- calculating beneficiary cost-sharing;
- accumulating gross covered drug costs;
- calculating TrOOP;
- reporting drug costs on the Prescription Drug Event (PDE) record; and
- developing bids submitted to CMS.

In order to ensure transparency in bid development, Part D sponsors are required to submit an attestation for all Part D plans, through HPMS and hardcopy, which identifies the pricing approaches (lock-in or pass-through) that were used in the development of their 2008 bids. The attestation of pricing approach will become available for upload on May 18, 2007. Part D sponsors will be required to complete this attestation for all of their Part D plans with the exception of Employer Group Waiver Plans. A separate attestation of pricing approach will be provided at a later date for Employer Group Waiver Plans. Part D sponsors may access the attestation of pricing approach on HPMS using the following navigation path: HPMS Homepage > Plan Bids > Bid Submission > CY 2008 > Upload > Attestation of Pricing Approach. This attestation must be submitted

and mailed to CMS **by June 4, 2007** for all Part D plans (with the exception of Employer Group Waiver Plans). Please mail the hard copy by overnight carrier to:

Centers for Medicare & Medicaid Services
ATTN: Meghan Elrington
MPPG- Division of Payment Policy
Mail Stop S2-24-17
7500 Security Boulevard
Baltimore, MD 21244-1850

For technical assistance, please contact the HPMS Help Desk at either 1-800-220-2028 or hpms@cms.hhs.gov. For other questions, please contact Meghan Elrington at (410) 786-8675 or meghan.elrington@cms.hhs.gov.