



Center for Beneficiary Choices
Medicare Plan Payment Group

Date: December 20, 2007

To: All Part D Plan Sponsors

From: Tom Hutchinson, Director
Medicare Plan Payment Group

Subject: 2006 Part D Payment Reconciliation Reopenings

Pursuant to 42 C.F.R. § 423.346(a)(1), CMS will be reopening the 2006 Part D payment reconciliations with Part D plan sponsors in the spring of 2008. These reopenings will address issues raised in plan appeals of their final payment determinations following the Final Part D Payment Reconciliation. The reopenings will be program-wide due to the significant number of challenges faced by CMS and all plans during the initial year of operation of the Part D program. The specific issues that CMS expects to address with these reopenings are:

- 1. Claims that were received close to or after the deadline for Prescription Drug Event (PDE) submissions.** Plans have reported that States have continued to submit claims to them after the PDE submission deadline. CMS has encouraged plans to continue submitting PDEs for these claims beyond the deadline so that CMS can assess the materiality of these claims with respect to the Part D Payment Reconciliation. CMS understands that not all plans have followed this guidance, and will therefore allow plans until February 28, 2008 to complete these submissions.
- 2. Claims that plans/PBMs/other submitters failed to submit.** Some plans have reported that they, or the parties that submit on their behalf, failed to submit all PDEs. In recognition of the challenges that occurred during the first year of operation of the Part D program, CMS will consider these PDEs if submitted by February 28th. Plans must submit these PDEs for the associated costs to be considered in these reopenings.
- 3. PDE data that rejected but could have been accepted had all systems worked perfectly throughout the start-up year.** CMS has analyzed the rejected PDE data and found that the rejected data fall into three distinct categories. A significant portion of these PDEs were rejected for a clearly legitimate reason and cannot ever be accepted with the current data. A second group of PDEs were rejected during the year, mainly for system reasons that have since been corrected. Most of these PDEs would have been accepted if plans had re-submitted them prior to the submission deadline. A final group of PDEs were rejected for other reasons, such that it is unclear whether other system issues (e.g., enrollment problems in MARx) contributed to the rejection. In the reopening process, CMS will consider certain categories of PDEs that have previously been rejected, but only if these PDEs are re-submitted between January 1st and February 28th. Plans must resubmit all PDEs that have previously been rejected and represent legitimate Part D costs. CMS expects that if errors

have been corrected by plans or if the claims were previously rejected prior to CMS updating DDPS processing rules, the PDEs will now process through and be accepted, thereby counting for reopening. Other PDEs may not be correctable and may still be rejected. From these PDEs, CMS will selectively count costs in the reopenings if CMS believes the PDEs would have been accepted had all systems functioned perfectly. When re-submissions and CMS data analysis of results are complete, CMS will provide a full description of this process and explain which rejected PDEs will be counted for purposes of these reopenings.

4. **Direct and indirect remuneration errors.** Some plans have determined that they either underestimated or overestimated DIR that they anticipated receiving, but had not yet received. Others have reported DIR allocation or reporting issues that caused either an over or underreporting of DIR. CMS will allow plans to restate DIR in HPMS through January 31, 2008. Any restatement must have explanatory notes to indicate the reason(s) for the restatement and the amount of change associated with each reason.

Plans raised other issues in their appeals. These issues will not be directly addressed by these reopenings. These issues include:

1. **Claims anticipated but not yet received.** CMS will not credit plans with anticipated costs. As stated above, any late claims that are received, processed, and submitted as PDEs by February 28, 2008 will count in the plan's reopening. CMS expects that most States will submit their claims to plans in time to meet this deadline. Any plan that experiences a material change in costs due to claims received and paid after this deadline may request reopening pursuant to 42 C.F.R. § 423.346 at a later date. Any plan that wants to request a reopening for this purpose must submit PDEs representing these late claims prior to making the reopening request. CMS is not required to reopen any plan's reconciliation, but may do so if it determines that circumstances warrant such a reopening.
2. **Uncollected premiums.** CMS has no legal authority to pay plans for premiums that were not collected. The payment reconciliation methodology established by the statute assumes all premiums were collected, and CMS has no authority to alter that methodology.
3. **Plan to Plan (P2P) receivables for which no payment was received.** All plans are required to pay all amounts shown on the plan to plan payable reports. When conducting Part D payment reconciliations, CMS assumes that plans have fully paid these amounts and credits those payables to the drug costs in the reconciliation for the plan that incurred those payable amounts. CMS has no authority to make these plan to plan payments, and no direct knowledge of which payments have or have not been made. Plans may report non-compliance with the plan to plan reconciliation procedures to CMS. Any plan that fails to make such payments is subject to corrective action by CMS as well as legal action by the party to whom it was required to make payment.

CMS will release more information regarding the timing of these reopenings as more details are available. Please send any questions regarding the reopenings to StrategicHealthSolutions at PartDPaymentReview@Strategichs.com.