

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Medicare  
7500 Security Boulevard, Mail Stop C1-13-07  
Baltimore, Maryland 21244-1850



**MEDICARE PLAN PAYMENT GROUP**

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**DATE:** February 28, 2011

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

**FROM:** Cheri Rice /s/  
Acting Director

**SUBJECT: Medicare Advantage Prescription Drug System (MARx) March 2011  
Payment – INFORMATION**

This letter provides information regarding the March payment, scheduled for receipt on March 1, 2011, and other payment related items that may require plan action.

**Part D Direct Subsidy Dollars and Adjustment Reason Code (ARC) 08**

Effective with the January payment, the Part D risk adjustment model was updated to consider ESRD status. This change means it is now possible to receive Part D direct subsidy dollars associated with an ESRD adjustment (ARC 08). The direct subsidy dollars appear correctly on the Monthly Membership Report (MMR). However, the Plan Payment Report (PPR) currently does not recognize the direct subsidy dollars associated with an ARC 08. Until the PPR is updated, a plan-level adjustment will be reported with the description “Part D Dir Sub \$s for new enrollees with ESRD changes (ARC 08)”. After the PPR update the adjustments will appear in the “Capitated Payments” section of the report.

**Synchronize Payments and Premiums**

A data cleanup was processed to synchronize payments and premiums for about 1,500 beneficiaries. The net result was approximately \$3.6 million recovered from the plans. The adjustments from this clean up are reported on the MMR with ARC 02 for payment and ARC 03 for an offset of payment.

**New Adjustment Reason Code 44**

On December 2, 2010, the MARx Redesign and Modernization Handbook was released to plans. The Handbook describes a new Failed Payment Reply Report. If a payment fails to calculate by the end of the monthly payment process it will appear on the Failed Payment Reply Report with a reply code of 264 – Payment Not Yet Completed. Once the payment is successfully calculated it will appear on the MMR with a new ARC of 44 – Retroactive Correction of Previously Failed Payment. The adjustment start and end date(s) will be populated with the month(s) the

payment(s) was missing. The ARC 44 was not included in the Handbook as it was not finalized at the time the Handbook was released. Please note that occurrences of this adjustment type are expected to be extremely rare.

Please contact the appropriate Division of Payment Operations (DPO) Representative (list attached) with questions about information in this letter or assistance with other payment or premium related issues. Thank you.

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