

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:** April 23, 2013

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

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

**SUBJECT: Medicare Advantage Prescription Drug System (MARx) May 2013 Payment – INFORMATION**

This letter provides information about the May payment, which is scheduled for receipt on May 1, 2013, and other payment related items that may require plan action.

**Mandatory Payment Reductions in the Medicare Advantage and Part D Programs – “Sequestration”**

On March 22, 2013, the Centers for Medicare & Medicaid Services (CMS) released a memorandum notifying Medicare Advantage Organizations (MAOs), Part D plans, and other programs (including Managed Care Organizations) that, beginning April 1, 2013, payments made to MAOs, Part D sponsors, and other programs will generally be reduced by two percent in accordance with the Balanced Budget and Emergency Deficit Control Act of 1985, as amended. This process of payment reduction is referred to as sequestration. CMS will report sequestration adjustments to plans on the monthly Plan Payment Report (PPR). Adjustments will appear in the Special Adjustments section of the report with an Adjustment Type of “SEQ”.

**Coverage Gap Discount (CGD) Reconciliation**

CMS has reconciled the CGD amounts paid to plans in 2011, and the results are included in the May payment. CMS will report CGD adjustments to plans on the monthly PPR. Adjustments will appear in the Special Adjustments section of the report with an Adjustment Type of “CGD”.

**Cleanup of Payments Related to Beneficiary Health Status Information**

The Medicare Advantage Prescription Drug System (MARx) processed two phases of a data clean-up to align plan payments to beneficiary health status information. State and County Codes (SCC) and Medicare Secondary Payer (MSP) statuses were corrected in these phases. Plans will see the associated adjustments on the Monthly Membership Report (MMR) under adjustment reason code (ARC) 94 – Adjustment Due to Payment Cleanup.

**Health Information Technology for Economic & Clinical Health Act (HITECH) 2012  
Bonus Payments and 2011 Payment Adjustments**

Plans participating in the Electronic Health Records (EHR) Incentive Program should expect to see the annual incentive payment for 2012 included in the June 2013 payment. The incentive payment included on the PPR is for the plan's Medicare Advantage Eligible Professionals that qualified in 2012, not for any incentive payments due to qualifying Medicare Advantage Eligible Hospitals under the program. The payment amounts are shown on the PPR with adjustment type "HTC". The data file contains Adjustment Type codes in field 53.

In the July 2013 payment, plans should see adjustments for the 2011 EHR Incentive Program payments. The incentive payment adjustment included on the July PPR is for the plan's Medicare Advantage Eligible Professionals that qualified in 2011, not for any incentive payments due to qualifying Medicare Advantage Eligible Hospitals under the program. The adjustment amounts are shown on the PPR with adjustment type "HTC".

**Reconciliation of Plans that Terminated in 2011**

CMS will soon begin conducting final reconciliations to settle amounts for terminated plans that were processed after their termination dates. The final settlement will include the 2011 final risk adjustment reconciliation completed in December 2012, and the CGD reconciliation that will be completed in May 2013. Once the CGD reconciliation is completed, CMS will begin processing final settlements. Plans should begin receiving the results of these settlements in June 2013.

**End Stage Renal Disease (ESRD) Payment Discrepancies**

CMS has been notified that the procedure for processing ESRD status information has changed. Previously, the renal networks were responsible for inputting the 2728 forms into the ESRD system and CMS used the information to compute payment at the ESRD level. Effective May 2012, the ESRD facilities are responsible for inputting the 2728 forms into the ESRD system. If a plan has issues with the ESRD status of a beneficiary, the plan should contact the facility that is treating him or her. Division of Payment Operations (DPO) staff are working with other CMS staff to address ESRD cases that existed prior to May 2012.

Please contact the appropriate DPO Representative (list attached) if you have any questions about the information in this letter or need assistance with other payment or premium related issues. Thank you.

cc: DPO Representatives  
Director, DPO  
MAPD Customer Support

**CENTERS FOR MEDICARE  
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