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TO: All Medicare Advantage Organizations, Prescription Drug Plans, Employer/Union-Only Group Waiver Plans and Section 1876 Cost-Based Plans that have a non-renewing contract effective January 1, 2014

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Subject: Close-Out Letter for Organizations that have a Non-renewing Contract Effective January 1, 2014

The purpose of this memorandum is to provide post-contract non-renewal requirements for all Medicare Advantage Organizations, Prescription Drug Plans, Employer/Union-Only Group Waiver Plans and Section 1876 and 1833 Cost-Based Plans that have a non-renewing contract effective January 1, 2014. The close-out letter that follows is divided into two subject areas “Payment” and “Additional Part C and Part D Requirements.” Please follow the applicable instructions for your organization type.

If you have any questions, please contact the specialist listed for that subject area. Again, these instructions are only applicable for contracts that non-renew prior to January 1, 2014.

Close-Out Letter

The following are post-contract non-renewal requirements that all organizations that have a contract that ends at the close of 2013 are responsible for fulfilling beyond December 31, 2013.

Payment

(1) Risk Adjustment: MA and MA-PD organizations are currently required to submit hospital inpatient, hospital outpatient, and physician diagnostic data for risk adjustment to CMS. Organizations with non-renewing contracts are also required to submit all risk adjustment data pertaining to these contracts to CMS as follows:

- a. January 2012 through December 2012 dates of service must be submitted by January 31, 2014; and
- b. January 2013 through December 2013 dates of service must be submitted by March 4, 2014.

For organizations with non-renewing contracts, March 4, 2014 will be the final risk adjustment data submission deadline for reporting diagnoses for 2012 dates of service rendered under these contracts. For any questions related to the Risk Adjustment submission, please email riskadjustment@cms.hhs.gov.

(2) Encounter data: Starting with 2012 dates of services, MA and MA-PD organizations are required to **submit** encounter data. Organizations with 2014 non-renewals and remaining active contracts must submit data for any non-renewing contract for all years. Encounter data for 2012 dates of service must be submitted by February, 2014. For any questions related to the encounter data submission, please email encounterdata@cms.hhs.gov.

(3) Prescription Drug Data: MA-PD and PDP organizations/sponsors are currently required to submit prescription drug event (PDE) data and direct and indirect remuneration (DIR) data to CMS. This requirement also pertains to non-renewing contracts that are part of these organizations/sponsors. In accordance with section 1.4.1 of the Instructions-Requirements for Submitting Prescription Drug Event Data, organizations/sponsors must submit PDE records "to CMS electronically at least once a month." In accordance with the May 16, 2011 HPMS memorandum titled "The timely submission of PDE records and the resolution of rejected PDEs" and the subsequent HPMS memorandum titled, "Revisions to the original PDE submission timeframes," organizations/sponsors must submit original PDE records to CMS within thirty days following Date Claim Received or Date of Service (whichever is greater), organizations/sponsors must resolve rejected records and re-submit the PDEs within 90 days following receipt of the rejected record status from CMS, PDE adjustments must be submitted within 90 days of discovery, and adjustments and deletions must be submitted within 90 days following discovery of the issue requiring change. Organizations/sponsors with non-renewing contracts must submit all 2013 PDE data pertaining to these contracts to CMS by the final submission deadline, which is 11:59 PM Eastern Time (ET), on the federal business day immediately before June 30. For benefit year 2013 PDEs, this deadline will be 11:59 PM ET on June 27, 2013. PDEs submitted after this deadline will not be considered in the 2013 Part D payment reconciliation.

In accordance with 42 CFR § 423.336(c)(1), organizations/sponsors with non-renewing contracts are required to submit the 2013 DIR Report for Payment Reconciliation corresponding to these contracts by June 30, 2014. Non-renewing contracts should reference the Final Medicare Part D DIR Reporting Requirements for 2013, which CMS will release in the spring of 2014. Please note that the data submission deadlines for both PDE data and DIR data apply to all plans, not just non-renewing plans. CMS reserves the right to adjust these deadlines based on operational considerations. In accordance with 42 CFR § 423.505(k)(5), organizations/sponsors with non-renewing contracts are also required to submit "the Attestation of Data Relating to CMS Payment to a Medicare Part D Sponsor", "the Attestation of Plan-to-Plan (P2P) Reconciliation Payment Data", and "the Attestation of Data Relating to Detailed DIR Report" prior to the 2013 Part D Payment Reconciliation. In submitting these attestations, MA-PD and PDP organizations/sponsors certify that the PDE data, DIR data, and any other information provided for the purposes of determining allowable reinsurance and risk corridor costs are accurate, complete, and truthful and that P2P payments were made to other Part D sponsors. Non-renewing organizations/sponsors should reference 2013 guidance regarding the submission of this attestation, which CMS will release via HPMS in the summer of 2014.

(4) Retroactive Adjustments for Payment and Enrollment: In accordance with section 70.2 of Chapter 11 of the Medicare Managed Care Manual, organizations with non-renewing contracts are required to reimburse CMS for any overpayments. Organizations seeking payment adjustments must submit corrected information to the Retroactive Adjustment Processing Contractor (Reed and Associates) within 45 days from the date of receipt of the organization's January payment Monthly reports (scheduled for receipt on December 19, 2013). The reporting of this corrected information will trigger the CMS retroactive payment adjustment process. The reported corrections will be verified and applied to the records of the organization's members. These corrections will be included as a part of the organization's final payment reconciliation after the final risk adjustment and Part D payment reconciliations are completed for 2013.

CMS will complete final reconciliation of its accounts with organizations approximately eighteen months after the end of the year in which the contract non-renews. However, the completion of the final reconciliation may be delayed in the event an organization fails to comply with data submission requirements for the MA and Part D payment reconciliations. For MA and PDP organizations/sponsors that are also reducing service areas for contracts that will continue in 2014, a final reconciliation will not be performed. Payment adjustments related to coverage provided in the discontinued portions of the service area will be included as part of the regular payment adjustment process and will appear in the monthly payments during 2014.

Additionally, MARx monthly reports will no longer be available 61 days after a contract non-renews. Copies of Monthly Membership Reports (MMRs) covering the period following the contract termination will accompany the final reconciliation results from CMS after the risk adjustment and Part D reconciliations for 2013 have been completed.

(5) Disenrollment Transaction Processing: For the most part, organizations with non-renewing contracts do not need to submit disenrollment transactions and beneficiaries do not need to request disenrollment, except as described below. Non-renewing contracts are required to submit disenrollment transactions for members who request to disenroll prior to the non-renewal date, (i.e. effective December 1, 2013), according to the usual disenrollment request processing

requirements as provided in CMS Enrollment guidance. This must be accomplished while your contract still has access to CMS systems.

(6) Access to CMS Systems: All user access to CMS systems (MARx, MBD, and BEQ) related to the contract will end 60 days after the contract is non-renewed. If you have a compelling need for continued access to address an unusual situation (i.e., the situation must be unique and can't be the type of situation that a terminating contract would typically experience), you may ask CMS for continued access. To discuss continued access to CMS systems for your contract after 60 days, please contact John Scott at John.Scott@cms.hhs.gov or Michelle Page at Michelle.Page@cms.hhs.gov. If inactive contracts need assistance obtaining DDPS or PRS reports, please contact the CSSC Operations at 1-877-534-CSSC or csscooperations@palmettogba.com.

(7) Claims: Organizations are required by regulation (for Part C 42 CFR § 422.101(a) and 42 CFR § 422.505(b), and for Part D 42 CFR § 423.104(a) and 42 CFR § 423.506(b)) to provide their enrollees with benefits for the full 12-month term (January 1, 2013 through December 31, 2013) of their contract with CMS. Consequently, organizations (including those with non-renewing contracts) must fully honor claims related to covered services provided to their members during the 12-month term but received by the MA organization or Part D sponsor after the close of the contract year, in accordance with the applicable contract terms.

(8) TrOOP Balance Transfer: Part D sponsors are required by regulation (42 CFR 423.464 (f)(viii)) to comply with all administrative processes and requirements established by CMS to ensure effective exchange of information and coordination between entities that provide other prescription drug coverage, including other Part D plans. We consider compliance with our true out-of-pocket (TrOOP) balance process and timelines to be a part of these requirements. Sponsors are required to track beneficiary TrOOP costs and correctly apply these costs to the annual out-of-pocket threshold to provide catastrophic coverage at the appropriate time. For beneficiaries who changed Part D sponsors during the coverage year, CMS' automated TrOOP balance transfer guidance in Chapter 14 of the Medicare Prescription Drug Benefit Manual requires that all Part D sponsors must correctly calculate the TrOOP amount in order to properly adjudicate beneficiary claims, as well as to communicate this information to plan members.

Automated TrOOP balance transfer transactions continue until March of the following year to permit the transfer of updated accumulator data, claims adjustment to be made based on the updated information and the reporting of new/revised PDE records. Since CMS continues to receive PDEs for a plan year until June of the year following, a non-renewing plan must continue to process the prior year's claims/adjustments and TrOOP balance transfer transactions and submit PDE records until June (see No. 3 above).

(9) 1876 and 1833 Cost-Based Plans: CMS requires that all Section 1833 and 1876 Cost-Based Plans that are terminated at the close of 2013 to submit final cost reports by April 30, 2014 and June 30, 2014, respectively. All terminating cost plans are subject to audit and should keep all records and documentation necessary to support costs reported on their final and open year cost reports.

Additional Part C and Part D Requirements

(1) Corrective Action Plans (CAPs): Organizations currently operating under a corrective action plan must continue to fulfill the requirements of the CAP through December 31, 2013, unless CMS informs otherwise.

(2) HEDIS/CAHPS: MA organizations with non-renewing contracts will not be required to submit HEDIS 2014 data for those contracts (i.e., HEDIS results from the 2013 measurement year), and MA organizations and Part D sponsors will not have to participate in the CAHPS survey administered in 2014.. ***(HEDIS does not apply to stand-alone Prescription Drug Plans.)***

(3) Quality Improvement Projects (QIPs) and Chronic Care Improvement Program (CCIPs): MA organizations are required by regulation and contract to implement QIPs and CCIPs. Both require periodic reporting at the request of CMS. CMS will not require organizations with non-renewing contracts to report this information for those contracts. ***(This does not apply to Part D Sponsors.)***

(4) Maintenance of Records: In accordance with 42 CFR § 422.504 (d) and (e) and §423.505 (d) and (e), organizations/sponsors are required to maintain and provide CMS access to its records. Specifically, organizations/sponsors must maintain books, records, documents and other evidence of accounting procedures and practices for 10 years. These regulations also detail the requirements for government access to organizations'/sponsors' facilities and records for audits that can extend through 10 years from the end of the final contract period or completion of an audit, whichever is later. That time period can be extended in certain circumstances, as detailed in this regulation. For service area reductions, the dates for the records pertaining to the area that was reduced run from the time the particular county or counties were removed from the service area.

(5) Continuation of Care: If a Medicare beneficiary is hospitalized in a prospective payment system (PPS) hospital, the organization with the non-renewing contract is responsible for all Part A inpatient hospital services until the beneficiary is discharged, as stated in 42 CFR § 422.318. Original Medicare or the beneficiary's new MA organization will assume payment responsibility for all other covered services on the effective date of contract non-renewal. If a Medicare beneficiary is in a non-PPS hospital, the organization with the non-renewing contract is responsible for the covered charges through the last day of the contract or, for contracts reducing their service area, the last day that the beneficiary was enrolled in the MA plan.

With respect to enrollees receiving care in a skilled nursing facility (SNF), MA organizations with non-renewing contracts are financially liable for care through the end of the contract year. After that date, Medicare beneficiaries continuing in a SNF may receive coverage through either Original Medicare or another MA plan. If the SNF stay is Medicare covered, the number of days of the beneficiary's SNF stay while enrolled in a MA plan will be counted toward the 100-day limit. ***(This requirement does not apply to Part D Sponsors.)***

(6) Pending Appeals: Part C and Part D appeals decided in favor of the appealing party after the date that the organization's/sponsor's contract non-renews must be effectuated by the (former) organization/sponsor in accordance with the regulations. The regulations at 42 CFR § 422.504(a)(3) require MA organizations to provide access to benefits for the duration of its contract. The regulations also require MA organizations to pay for, authorize, or provide services that an adjudicator determines should have been covered by the organization. Therefore, MA organizations are obligated to process any appeals, as governed by 42 CFR Part 422, Subpart M, for services that, if originally approved, would have been provided or paid for while Medicare beneficiaries were enrolled in their plan. Additionally, 42 CFR § 422.100 (b)(1)(v) provides that MA organizations must make timely and reasonable payment to non-contracting providers and suppliers for services which coverage has been denied by the MA organization and found upon appeal to be services the enrollee was entitled to have furnished or paid for, by the MA organization. Similarly, the regulations at 42 CFR § 423.505(b)(4) require Part D plan sponsors to provide access to benefits for the duration of its contract. Also, the language in 42 CFR §§423.636 and 423.638 requires Part D plan sponsors to authorize, provide, or make payment for a benefit that an adjudicator determines should have been covered by the plan sponsor. Therefore, both Part C organizations and Part D sponsors are obligated to effectuate appeals decided in favor of the appealing party after the date that the organization's/sponsor's contract terminates.

(7) Reporting Requirements: Organizations/sponsors with non-renewing contracts are not required to fulfill the new Part C and Part D reporting requirements. Data that are due after the organization's/sponsor's last contract year are no longer required to be submitted, and, in fact, should not be submitted. Also, those organizations/sponsors are not required to undergo the Part C/D Data Validation.

(8) Data and Files: Part D Sponsors with non-renewing contracts are required to adhere to 42 CFR § 423.507(a) (4). This regulation requires Part D sponsors with non-renewing contracts to ensure the timely transfer of any data or files.

(9) Customer Service: Following completion of the contract year, all members of a non-renewing plan should be provided continued member access to Plan information for sixty (60) days past the beginning of the next calendar year (January 1 to March 1). Plan websites containing non-renewing plan information and customer service lines should continue to be operational. Toll free call center numbers for non-renewing plans will continue seven days a week from at least 8:00 A.M. to 8:00 P.M., corresponding to the time zones in which they operate. During this time period, enrollees in the non-renewed plan must be able to speak with a live customer service representative. Please refer to section 80. 1, of the *Medicare Marketing Guidelines* for customer service call center requirements.

Please send any questions related to the Part C or Part D requirements in this section of the letter to Nonrenewals@cms.hhs.gov.