

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
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MEDICARE PLAN PAYMENT GROUP

TO: All Part D Plan Sponsors and Drug Manufacturers

FROM: Cheri Rice, Director
Medicare Plan Payment Group

SUBJECT: Phase I of Resolving Coverage Gap Discount Program Negative Invoiced Amounts

DATE: October 21, 2013

On July 12, 2013, the Centers for Medicare & Medicaid Services (CMS) released two HPMS memorandums, one to Part D sponsors and another to drug manufacturers, both entitled, "Instructions for Resolving Coverage Gap Discount Program (CGDP) Negative Invoiced Amounts." In those memorandums, we announced a two-part process for reconciling negative amounts appearing on CGDP invoices. This memorandum provides updates and more information regarding Phase I of the two-part process.

In Phase I, the Third Party Administrator (TPA) will distribute two reports reflecting negative balances due to manufacturers. The first report will be distributed to Part D sponsors and drug manufacturers on October 31, 2013. The second report will be distributed April 17, 2014. The October 2013 report will reflect the negative balances owed by Part D sponsors to drug manufacturers for the period 2011 Quarter 1 through 2013 Quarter 2, but will not include any amounts owed to drug manufacturers who have failed to provide their EFT information to the TPA according to the deadline reiterated below. The April 2014 report will reflect negative balances owed by the Part D sponsors to drug manufacturers for the period 2013 Quarter 3 through 2013 Quarter 4. Any amounts owed to drug manufacturers who have failed to provide EFT information by the deadline prior to the April reports will not be reported to Part D Sponsors for repayment and the amounts owed to those drug manufacturers will be assumed to be written off by manufacturers at this point.

Electronic Fund Transfer (EFT) Information and Updates to the July 12, 2013 Memo

To facilitate the repayment process, the TPA collects EFT information from the drug manufacturers and distributes the information to the Part D sponsors. For the October 31, 2013 report, drug manufacturers provided EFT information to the TPA by August 17, 2013, and the EFT information received was distributed to Part D sponsors on August 25, 2013.

Manufacturers were required to submit their EFT information electronically online at <http://tpadministrator.com>, and via signed hard-copy mailed to the TPA.

Amounts owed to drug manufacturers that did not complete the online form and/or send the signed copy by the August 17, 2013 deadline will not be included in the October 31, 2013 report. However, if those drug manufacturers provide their EFT information before the EFT file update cutoff date for the April 2014 report, the negative invoiced amounts owed to them for the time period reflected in the October 2013 report will be released in a separate report in conjunction with the April 2014 report. This report will contain negative balances owed by Part D sponsors to drug manufacturers for the period 2011 Quarter 1 through 2013 Quarter 2.

Due to the drug manufacturers' slow response to the request for their EFT information, CMS is changing the EFT file update cutoff date for the April 2014 reports that was announced in the July 12, 2013 memo. Drug manufacturers that have either not provided EFT information or need to update the EFT information previously submitted must submit their EFT information to the TPA **no later than March 3, 2014**. The date that the EFT file will be distributed to Part D sponsors has also been changed to March 18, 2014. Drug manufacturers that do not provide EFT information by the March 3, 2014 deadline will not be included in the April 17, 2014 report. If a drug manufacturer has already submitted EFT information and that information does not need to be updated, no additional information needs to be submitted to the TPA by the March 3, 2014 deadline.

Please note that unlike the reporting period for the October 2013 report where negative invoiced amounts can be generated in a separate report and released in conjunction with the April 2014 report, drug manufacturers that fail to provide EFT information by the March 3, 2014 deadline will not have the negative balances owed by Part D sponsors from Phase I (i.e., the October 2013 and/or April 2014 reports) included in Phase II of the two-part process. This means Part D sponsors will not be able to make repayments to drug manufacturers due to the lack of EFT information and the amounts owed to those drug manufacturers will be assumed to be written off by manufacturers when the TPA begins distributing the Phase II report. Therefore, it is imperative that drug manufacturers provide their EFT information to the TPA in a timely manner and in a manner consistent with the directions on the TPA website at <http://tpadministrator.com>.

Phase II

As indicated in the July 12, 2013 memorandum, Phase II will begin with 2014 Quarter 1. In Phase II, we will maintain a rolling accounting of negative balances owed by Part D sponsors to drug manufacturers. The negative balances will be carried forward to offset future positive quarterly invoice amounts. When this process begins, we will assume a zero-dollar balance between Part D sponsors and drug manufacturers. Phase II will also include an annual negative invoice report similar to Phase I to account for negative invoice amounts that were not offset by

positive invoice amounts. More information regarding Phase II, including the revised CGDP invoice file layouts, will be released at a future date.

Payment Confirmation Process for Negative Balance Repayment for Part D Sponsors and Drug Manufacturers

Part D sponsors shall pay the drug manufacturers within 38 days of the Negative Invoice Report distribution that will occur on October 31, 2013, April 17, 2014, and annually thereafter. For each invoicing cycle in Phase I and the annual invoicing cycle associated with Phase II, CMS will require that both Part D sponsors and drug manufacturers produce and submit payment confirmation reports to the TPA. The Negative Invoice Payment Confirmation Report should be produced and submitted in the same way that the Quarterly Invoice Payment Confirmation Reports are currently handled. Although drug manufacturers currently have both a web- based and file- based option for confirming CGDP quarterly invoices, under the Negative Invoice Phase I process, drug manufacturers must use a file-based confirmation.

Both the October and April distributions of the Phase I Negative Invoice Reports may contain zero-dollar amounts due to manufacturers. Part D sponsors and drug manufacturers are reminded to confirm the zero-dollar amounts in addition to paid/received amounts on the Negative Invoice Payment Confirmation Reports.

The TPA will review each of the payment confirmation reports. Part D sponsors that fail to pay the drug manufacturers in a timely manner may be subject to compliance action. Payment confirmation reports associated with the October 31, 2013 report are due as soon as payment has been made to each Drug Manufacturer but no later than 5:00 PM ET, Tuesday, December 31, 2013.

Contact Information

EFT forms can be found on the TPA website at <http://tpadministrator.com>, select “EFT Information” on the left side of the page. More information regarding the negative invoicing process can also be found on the TPA website, select “Webinar Information” on the left side and then the August 2013 slides and corresponding Q&A’s. Please direct questions regarding this memo to tpaoperations@tpadministrator.com or by telephone at 1-877-534-2772, option 1.