

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

DATE: December 07, 2012

TO: All Part D Plan Sponsors

FROM: Cheri Rice, Director, Medicare Plan Payment Group

SUBJECT: Updates to the Drug Data Processing System for Edit 870

The Centers for Medicare & Medicaid Services (CMS) is announcing upcoming changes to the Drug Data Processing System (DDPS) for Edit 870. These changes will be implemented on December 28, 2012. Please submit questions regarding these changes to PDEJan2011@cms.hhs.gov.

We have received several reports of Edit 870, “Reported Gap Discount <> CMS Calculated Gap Discount +/- 0.05”, triggering incorrectly for Enhanced Alternative (EA) plans when the Prescription Drug Event (PDE) record is under the EA Rule 4 mapping scenario. We have corrected the edit logic to resolve this issue. Plans that believe they received Edit 870 in error for PDEs with Dates of Service (DOS) in 2011 or 2012 are instructed to resubmit these PDEs after December 28, 2012.

Beginning in 2013, Part D plans begin to assume a portion of the cost of applicable drugs for applicable beneficiaries in the gap. In order to account for this we have updated the Edit 870 logic to account for the additional plan liability when determining the discount eligible cost for EA plans that offer supplemental coverage in the gap. While this change will be implemented on December 28, 2013, it will be applicable for Coverage Gap PDEs with DOS on or after January 1, 2013.

The changes to Edit 870 implemented in this release apply when the claim falls completely in the Coverage Gap and the plan may or may not offer supplemental coverage within the Gap. If the plan is an Enhanced Alternative plan and a portion of the drug cost falls within EA Mapping Rule 4, the steps will be modified to account for Rule 4 for PDEs with DOS in 2011 and 2012. The modifications are provided in italicized font.

Step 1: Determine costs that fall within the Coverage Gap:

Drug Cost = Ingredient Cost Paid + Total Amount Attributed to Sales Tax + Dispensing Fee Paid + Vaccine Administration Fee

Step 1a: For EA plans, determine if a portion of the cost falls within Rule 4: TGCGC Accumulator + GDCB > Benefit Year Rule 4 Amount and TrOOP Accumulator + ΔTrOOP <= Benefit Year Out of Pocket Threshold Amount If this is TRUE, then a

portion of the cost falls within Rule 4.

ΔTrOOP is the sum of Patient Pay Amount + Other TrOOP Amount + LICS Amount + Reported Gap Discount Amount

Step 1b: Calculate the portion of the gap dollar amount that is in Rule 4 as the lower of GDCB or TG CDC Accumulator + GDCB – Rule 4 Dollar Amount

Step 1c: Select the Rule 4 gap amount calculated in Step 1b or zero (whichever is higher)

Step 1d: Multiply the amount from Step 1c by 0.15 to determine the CPP amount that is not subject to the gap discount. This amount is called the Rule 4 adjustment amount.

Step 2: Determine Discount Eligible Cost

If $\text{NPP} + \text{CPP} \geq \text{Dispensing Fee Paid} + \text{Vaccine Administration Fee}$ then

Discount Eligible Cost = $\text{Drug Cost} - (\text{NPP} + \text{CPP})$

Else If $(\text{NPP} + \text{CPP}) < \text{Dispensing Fee Paid} + \text{Vaccine Administration Fee}$ then

Discount Eligible Cost = $\text{Ingredient Cost Paid} + \text{Total Amount Attributed to Sales Tax}$

For EA plans with a portion of the drug cost falling within Rule 4, the Discount Eligible Cost should be calculated as:

If $(\text{NPP} + \text{Rule 4 Adjustment Amount}^) \geq (\text{Dispensing Fee Paid} + \text{Vaccine Administration Fee})$ then*

Discount Eligible Cost = $\text{Drug Cost} - \text{NPP} - \text{Rule 4 Adjustment Amount}^$*

Else If $(\text{NPP} + \text{Rule 4 Adjustment Amount}^) < \text{Dispensing Fee Paid} + \text{Vaccine Administration Fee}$ then*

Discount Eligible Cost = $\text{Ingredient Cost Paid} + \text{Total Amount Attributed to Sales Tax}$

**For PDEs with DOS in 2011 and 2012, Rule 4 Adjustment amount will be used in this logic. Beginning with PDEs with DOS in 2013, the Rule 4 adjustment amount will be replaced with CPP.*

Step 3: Calculate Gap Discount

Calculated Gap Discount = $\text{Discount Eligible Cost} * 0.5$