DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850

CENTER FOR MEDICARE

DATE: July 22, 2022

TO: All Part D Sponsors

FROM: Amy Larrick Chavez-Valdez
Director, Medicare Drug Benefit and C & D Data Group

SUBJECT: Contract Year (CY) 2020 Cost Sharing Administration Analysis

Part D sponsors are responsible for ensuring that prescription drug coverage is being adjudicated consistent with their approved plan design. Many beneficiaries use the published cost sharing to make plan selections and estimate annual drug costs. Thus, it can be significantly impactful if the cost sharing on a prescription-drug claim is adjudicated incorrectly. Consistent with 42 CFR §423.505(n)(1), CMS may determine that a Part D plan sponsor is out of compliance with a Part D requirement when a sponsor fails to meet performance standards articulated in the Part D statutes, regulations, or guidance.

CMS previously performed the Formulary Administration Analysis (FAA). As part of the FAA, selected Part D sponsors submitted rejected claims to CMS. The rejected claims relating to a plan's formulary utilization management edits and non-formulary drugs were reviewed to ensure that these elements were administered consistent with the CMS – approved formulary. With the retirement of the FAA Display Measure and given that its methodology overlapped somewhat with CMS program audits, CMS discontinued the FAA after the 2017 analysis.

In an effort to continue to analyze the accuracy of formulary and plan benefit administration at the point of service, while also reducing administrative burden on Part D sponsors by eliminating the need for sponsors to make additional rejected claims submissions to CMS, we sought an alternative approach and undertook the Cost Sharing Administration Analysis (CSAA).

Cost Sharing Administration Analysis

To investigate whether beneficiaries were charged the appropriate prescription drug cost-sharing amount, we completed the CSAA for CY 2020. This analysis evaluated whether Part D sponsors appropriately adjudicated the cost sharing of Part D drugs consistent with their approved plan design.

Through the CSAA, CMS examined retail prescription drug event (PDE) data during the coverage gap and catastrophic phases and compared the adjudicated beneficiary cost to the approved formulary and benefits cost sharing. CMS selected one plan per Parent Organization

for inclusion in the CSAA. Using plan enrollment, we selected the plan that was closest to the median enrollment for each Parent Organization. Of note, Medicare-Medicaid Plans (MMPs), Program of All-inclusive Care of the Elderly (PACE) plans, Employer Group Waiver Plans (EGWPs), and plans participating in the Value-Based Insurance Design (VBID) model were excluded. The methodology below describes how CMS completed the analysis.

- CMS identified seven target drug categories for use in the analysis: medication-assisted therapy (MAT) drugs, brand antineoplastics, brand antipsychotics, the top five brand antiretrovirals by utilization, biosimilars, multiple sclerosis agents, insulins, and drugs that could be covered under Medicare Part B or Part D. The analysis was limited to PDE for on-formulary drugs from these categories.

- In order to be eligible for analysis, the date of service on the PDE was required to have occurred between July 1 and December 31, 2020. After applying the restrictions outlined in Table 1, we identified the sample-eligible PDE. Of note, all sample-eligible PDE contained a cost-sharing discrepancy where the adjudicated beneficiary payment amount was different from the expected cost-sharing amount according to beneficiary's LIS status and the selected drug/tier from the plan's approved bids. The discrepancy could be an overpayment or underpayment.

- CMS focused our review on instances where beneficiaries appeared to have paid more than the expected cost sharing. From these claims, we identified two issues of concern. The first identified issue is when the beneficiary experienced an overpayment in the 95th percentile of our data (i.e., a high-value discrepancy). The second identified issue is when the Parent Organization had a relatively high proportion of claims that resulted in beneficiary overpayment compared to all Parent Organizations analyzed (i.e. significant outliers). For plans that appear to have a relatively high proportion of overpaid claims, CMS will provide sponsors with <u>all</u> identified PDE of concern. However, for those plans identified as having claims with high-value discrepancies, CMS will only provide plans with the claims information for those specific high-value discrepancy claims.

Table 1. CSAA PDE Data Restrictions

Target drug is in the analysis	PDE occurred in a retail pharmacy setting
PDE date of service on or between 7/1/2020-12/31/2020	Plan on the PDE for the enrollee aligns with the plan listed in the CME[1] for the enrollee
PDE covered under Part D	PDE falls completely in the gap phase or catastrophic phase
Non-compound drugs	PDE for drugs covered on the given plan's formulary on or between 7/1/2020-12/31/2020
Drugs that are not eligible for a free first fill	PDE where adjudicated beneficiary cost-sharing or payment amount is different from the approved cost-sharing amount from the plan's bids
PDE with a one-month supply (days' supply value between 28-34)	PDE associated with an analysis plan

[1] CME is the Common Medicare Environment data

CY 2020 CSAA Results

We identified a total of 97,544 claims for target drugs that were covered on the selected plans' formularies. Of these analysis claims, there were 1,159 instances where the adjudicated beneficiary payment amount was different from the expected cost-sharing amount for the selected drug/tier from the plan's approved bids. When there was a discrepancy, the beneficiary usually paid less than the expected amount. However, we did identify 179 instances where the beneficiary paid more than the expected cost share. When this happened, the anticipated overpayment ranged from $0.02-$1,104 with a median overpayment of $0.91. See Tables 2 and 3 below for details.

Table 2. Summary of CSAA Results

Parameter	Number of PDE	Percent Error
PDEs included in the analysis (target drugs covered on the given plan's formulary)	97,544	N/A
Discrepant claims	1,159	1.19%
Sample-Eligible PDE where the beneficiary underpaid	980	1.01%
Sample-Eligible PDE where the beneficiary overpaid	179	0.18%

Table 3. Distribution of Overpaid Claims

Total Overpaid Claims	Minimum Overpayment	Maximum Overpayment	Median Overpayment
179	$0.02	$1,104	$0.91

We were generally pleased to see that Part D sponsors are adjudicating prescription drug claims consistent with the approved plan design. Out of the 97,544 claims reviewed, we only identified 1.19% that appeared inconsistent with the approved plan design. It was also encouraging that of all the claims analyzed, apparent errors resulting in a beneficiary overpayment occurred only 0.18% of the time. These results suggest that Part D sponsors have effective and efficient processes in place to ensure accurate point-of-service adjudication of prescription drug claims for beneficiary cost sharing.

As a next step, we will provide Part D sponsors with a file containing the claims where we have identified a high-value discrepancy. We expect Part D sponsors to investigate these and ensure that beneficiaries are made whole if they confirm that an overpayment did in fact occur. For plans that are significant outliers, we are requesting additional responses that address why the identified claims appear to have resulted in erroneous beneficiary cost sharing. Selected Part D sponsors will receive a selection notification, and use a CSAA response form to provide responses to analysis results. Selected plans must complete the CSAA Response Form in its entirety before uploading the form to the Web Portal. CMS review of complete responses from selected Part D sponsors will conclude the CY 2020 CSAA. We intend to repeat a similar

analysis in late Fall 2022 and plan to share CMS findings along with notification to selected plans, as appropriate.

For questions regarding the Cost Sharing Administration Analysis please contact the Part D Formularies mailbox at PartDFormularies@cms.hhs.gov. For questions related to the secure web portal please contact Acumen at FormularyBenefits@acumenllc.com.