

## **Payment Reconciliation System (PRS) Part D Payment Reconciliation Reports Updates**

### **Introduction**

As part of the Part D payment reconciliation re-opening process, Contracts that are re-opened will receive a set of management reports from the Payment Reconciliation System (PRS) specifying the inputs and results of the re-opening. These reports, the PRS Inputs Report to Plans and the PRS Reconciliation Results Report to Plans are the same reports that plans receive as part of the annual Part D payment reconciliation.

Both the Inputs Report and the Reconciliation Results Report have been updated to include new fields for re-opening and to account for Prescription Drug Event (PDE) and Part D payment reconciliation operational changes. It is important to note that the updated Inputs Report and Reconciliation Results Report will be used for both initial Part D payment reconciliations and for any subsequent re-openings. For further information on the PRS reports and the Part D payment reconciliation process, please refer to the guidance published on June 8, 2007 entitled "Payment Reconciliation System (PRS) Part D Payment Reconciliation Reports."

### **Changes to the Inputs Report to Plans**

As explained in previous guidance, the PRS Inputs Report to Plans provides Contracts with the beneficiary-level prospective payment inputs received from the Medicare Advantage and Prescription Drug System (MARx) and the beneficiary-level actual cost inputs from the Drug Data Processing System (DDPS).

For the re-opened 2006 Part D payment reconciliation, there will be an additional DET record in the Inputs Report. This record can be identified by the Most Current HICN field on the record which will read ADJUSTMENT. The fields that will be populated are Covered Part D Plan Paid Amount (CPPA), Total Actual Low Income Cost-Sharing Subsidy Amount (ALICSA), Total Gross Drug Cost Above Out of Pocket Threshold Amount (GDCAA), and Total Gross Drug Cost Below Out of Pocket Threshold Amount (GDCBA). For the 2006 re-opened reconciliation, the adjustment record will be included in the Inputs Report for all Contract/Plan Benefit Packages (PBPs) whether there is data in the adjustment record for that contract/PBP or not. Whenever the Adjustment Record is used for a reconciliation calculation, CMS will issue guidance to the Contracts explaining how the values in the Adjustment Record were derived.

### **Actual Plan-to-Plan (P2P) Non-Covered Plan Paid (NPP) Amount Submitted by an Enhanced Alternative (EA) Plan**

Actual P2P NPP Submitted by EA Plan Amount is a new data element on the Inputs Report. This data element was added to credit Enhanced Alternative (EA) plans for NPP amounts paid on behalf of a low income (LI) status beneficiary when reported on a PDE that was subsequently included in a P2P transaction. This value will be included in the Low Income Cost-Sharing Subsidy reconciliation for EA plans effective immediately.

As the P2P NPP Amount represents an actual LICS cost paid on behalf of a low income status beneficiary, it will be included in the calculation for Total Actual Low Income Cost-Sharing Subsidy Amount (ALICSA). The previous calculation for ALICSA summed the P2P LICS amounts received from Report 42 and the non-P2P LICS amounts received from Report 4. The

revised calculation will now include the P2P NPP amounts which are found on Report 40. The revised calculation is as follows:

$$\text{Total Actual Low Income Cost-Sharing Subsidy Amount} = \text{Non-P2P Actual Low Income Cost-Sharing Subsidy Amount} + \text{P2P Actual Low Income Cost-Sharing Subsidy Amount} + \text{Actual P2P NPP Submitted by EA Plan Amount}$$

Actual P2P NPP Submitted by EA Plan Amount is found in positions 73-86 on the DET record of the Inputs Report (and is aggregated to the contract/PBP-level on the PTR record in fields 61-74, and to the contract-level on the CTR record in positions 58-71). As with the other values that comprise the Total Actual Low Income Cost-Sharing Subsidy Amount, it is passed indirectly to the Reconciliation Results Report because it has been included in the Total Actual Low Income Cost-Sharing Subsidy Amount which gets passed to the Reconciliation Results Report at the contract/PBP-level.

### **Estimated Rebate at Point-of-Sale (POS) Amount**

Beginning with benefit year 2008, contracts were given the ability to report the estimated rebate applied at the point-of-sale (POS) on the PDE. Beginning with the 2008 Part D payment reconciliation, the Estimated POS Rebate Amount will be used to calculate the Direct and Indirect Remuneration (DIR) used in the reinsurance reconciliation and in risk sharing. More information regarding this change to DIR can be found in a later section of this document.

PRS will receive Estimated Point-of-Sale (POS) Rebate amounts at the beneficiary/PBP-level from DDPS through three new fields. The three new fields on the Inputs Report are Non-P2P Estimated POS Rebate Amount, P2P Estimated POS Rebate Amount, and Total Estimated POS Rebate Amount. Table 1 provides the names and field locations on the DET record of the estimated POS rebate data elements.

**TABLE 1: ESTIMATED POS REBATE FIELDS ON PRS INPUTS REPORT DET RECORD**

DATA ELEMENT	FIELD NUMBER	FIELD POSITION
NON-P2P ESTIMATED POS REBATE AMOUNT	22	283-296
P2P ESTIMATED POS REBATE AMOUNT	23	297-310
TOTAL ESTIMATED POS REBATE AMOUNT	24	311-324

As with the other data elements received from DDPS, the P2P and non-P2P amounts are summed to get the total amount at the beneficiary/plan-level.

$$\text{Total Estimated POS Rebate Amount} = \text{Non-P2P Estimated POS Rebate Amount} + \text{P2P Estimated POS Rebate Amount}$$

As explained in previous guidance on PRS reports, the P2P amounts represent amounts paid when the Submitting Contract for the plan was not the Contract of Record. Contracts should note that the P2P estimated POS rebate amounts are included in the Submitting Contract's reconciliation because the Submitting Contract must retain (and report as DIR) any rebates

earned for P2P PDEs. Contracts should refer to the DDPS Management Report 4 COV and Report 40 for the non-P2P and P2P values for the Estimated Rebate at POS amounts.

The beneficiary-level Total Estimated POS Rebate Amounts are summed up to the contract/PBP-level and passed to the Reconciliation Results Report where, beginning with the 2008 Part D payment reconciliation, they will be used to determine the DIR amount used in the reinsurance reconciliation and in risk sharing.

The Estimated POS Rebate fields will be populated with zero for the 2006 and 2007 reconciliation reports.

## **Changes to the Reconciliation Results Report**

### **Direct and Indirect Remuneration**

#### ***Reported Part D Covered DIR Amount***

As directed in an HPMS memo issued on May 14, 2007, CMS required plans to begin reporting their Direct and Indirect Remuneration (DIR) data using the DIR Report for Payment Reconciliation. Therefore the existing DIR field on the Reconciliation Results Report, the Part D Covered DIR Amount, is now called Reported Part D Covered DIR Amount.

#### ***Net Part D Covered DIR Amount***

In addition, a new DIR field has been added to the Reconciliation Results Report, Net Part D Covered DIR Amount. Net Part D Covered DIR Amount is a PRS calculated field in which the Contract/PBP-level Total Estimated POS Rebate Amount passed from the Inputs Report to the Results Report is subtracted from the Reported Part D Covered DIR Amount. Table 2 provides the names and field locations on the Reconciliation Results Report detail (DET) record for these fields.

**TABLE 2: DIR FIELDS ON THE RECONCILIATION RESULTS REPORT DETAIL RECORD**

<b>Data Element</b>	<b>Field Number</b>	<b>Field Position</b>
REPORTED PART D COVERED DIR AMOUNT	20	188-201
TOTAL ESTIMATED POS REBATE AMOUNT	21	202-215
NET PART D COVERED DIR AMOUNT	22	216-229

The calculation for this new field is found below.

$$\begin{aligned} &\text{Net Part D Covered DIR Amount} = \\ &\text{Reported Part D Covered DIR Amount} - \text{Total Estimated POS Rebate Amount} \end{aligned}$$

Changes regarding the Net Part D Covered DIR Amount will be effective immediately. For Coverage Years 2006 and 2007, Net Part D Covered DIR Amount will be equal to Reported

Part D Covered DIR Amount, and Total Estimated POS Rebate Amount will be equal to 0. Beginning with the Coverage Year 2008 Part D payment reconciliation, Net Part D Covered DIR Amount will begin to reflect the estimated POS rebate amounts for contracts that chose to report rebates at the point of sale.

### **How PRS Calculates Re-opening**

The process for re-opening will be very similar to the Part D payment reconciliation process performed by PRS. PRS will receive actual cost inputs at the beneficiary-level from the Drug Data Processing System (DDPS) and prospective payment inputs at the beneficiary-level from the Medicare Advantage and Prescription Drug System (MARx). PRS will also receive plan-level inputs from the Health Plan Management System (HPMS) and program-wide inputs from CMS.

Using these inputs, PRS will calculate the results of the re-opened reconciliation for the Low Income Cost-Sharing Subsidy, reinsurance, and risk sharing at the contract/PBP-level. However, in the PRS re-opening process there is one additional step. PRS will also calculate the difference between the results of the re-opened reconciliation and the results of the last reconciliation run for the coverage year and the specific contract in which there was a payment adjustment, whether the adjustment was in an initial Part D payment reconciliation or prior re-opening.

Steps in the Re-opening Process:

1. PRS receives inputs from DDPS, MARx, HPMS, and CMS.
2. PRS calculates the results of the re-opened reconciliation.
3. PRS compares the results of the re-opening to the prior reconciliation run in which there was a payment adjustment.

### **Reconciliation Number**

The PRS Reconciliation Results Report to Plans detail (DET) record has been modified to accommodate this additional step. On the DET record of the Reconciliation Results Report, the Reconciliation Number field is now called Current Reconciliation Number and a new field, Previous Reconciliation Number, has been added. The Previous Reconciliation Number field reports the number of the last reconciliation or re-opening in which there was a payment adjustment for the coverage year and the specific contract.

Contracts should note that the PRS Report ID for the Reconciliation Results Report to Plans, RECRSCTR, will be the same whether the report is being used for an initial Part D payment reconciliation or a re-opened reconciliation. The PRS Report ID can be found on the CHD record. Contracts will be able to identify whether the reports are for an initial reconciliation or a re-opening run by using the Current Reconciliation Number and Previous Reconciliation Number fields. The Current Reconciliation Number will always be populated with 001 on an initial reconciliation. In a re-opened reconciliation, the Previous Reconciliation Number will be populated.

### **Data Elements with Current, Previous, and Delta Values**

Certain key data elements on the Reconciliation Results Report will have fields for the Previous values (the values from the previous reconciliation or re-opening in which there was a payment

adjustment), the Current values, and the difference between them, the Delta values. The Previous values for the data elements will be from the last reconciliation or prior re-opening as identified by the Previous Reconciliation Number. For these data elements the Delta values are calculated as:

$$\text{Delta Data Element} = \text{Current Data Element} - \text{Previous Data Element}$$

In a re-opened reconciliation, the delta values are critical for Contracts because they represent the values by which their final payment determination would be adjusted. The Delta values can be negative as well as positive. See Table 3 for the data elements that now have Previous, Current, and Delta fields.

**TABLE 3: DATA ELEMENTS WITH CURRENT, PREVIOUS, AND DELTA VALUES**

Category	Data Element		
	Current	Previous	Delta
DDPS INPUTS	CURRENT TOTAL ACTUAL LOW-INCOME COST-SHARING SUBSIDY AMOUNT -	PREVIOUS TOTAL ACTUAL LOW-INCOME COST-SHARING SUBSIDY AMOUNT =	DELTA TOTAL ACTUAL LOW-INCOME COST-SHARING SUBSIDY AMOUNT
MARx INPUTS	CURRENT PROSPECTIVE LOW-INCOME COST-SHARING SUBSIDY AMOUNT -	PREVIOUS PROSPECTIVE LOW-INCOME COST-SHARING SUBSIDY AMOUNT =	DELTA PROSPECTIVE LOW-INCOME COST-SHARING SUBSIDY AMOUNT
	CURRENT PROSPECTIVE REINSURANCE SUBSIDY AMOUNT -	PREVIOUS PROSPECTIVE REINSURANCE SUBSIDY AMOUNT =	DELTA PROSPECTIVE REINSURANCE SUBSIDY AMOUNT
MARx/HPMS DERIVED INPUTS	CURRENT ACTUAL REINSURANCE SUBSIDY AMOUNT -	PREVIOUS ACTUAL REINSURANCE SUBSIDY AMOUNT =	DELTA ACTUAL REINSURANCE SUBSIDY AMOUNT
PRS CALCULATED RECONCILIATION RESULTS	CURRENT LOW-INCOME COST-SHARING SUBSIDY ADJUSTMENT AMOUNT -	PREVIOUS LOW-INCOME COST-SHARING SUBSIDY ADJUSTMENT AMOUNT =	DELTA LOW-INCOME COST-SHARING SUBSIDY ADJUSTMENT AMOUNT
	CURRENT REINSURANCE SUBSIDY ADJUSTMENT AMOUNT -	PREVIOUS REINSURANCE SUBSIDY ADJUSTMENT AMOUNT =	DELTA REINSURANCE SUBSIDY ADJUSTMENT AMOUNT
	CURRENT RISK-SHARING AMOUNT -	PREVIOUS RISK-SHARING AMOUNT =	DELTA RISK-SHARING AMOUNT
	CURRENT BUDGET NEUTRALITY ADJUSTMENT AMOUNT (DEMONSTRATION PLANS ONLY) -	PREVIOUS BUDGET NEUTRALITY ADJUSTMENT AMOUNT (DEMONSTRATION PLANS ONLY) =	DELTA BUDGET NEUTRALITY ADJUSTMENT AMOUNT (DEMONSTRATION PLANS ONLY)
	CURRENT ADJUSTMENT DUE TO PAYMENT RECONCILIATION AMOUNT -	PREVIOUS ADJUSTMENT DUE TO PAYMENT RECONCILIATION AMOUNT =	DELTA ADJUSTMENT DUE TO PAYMENT RECONCILIATION AMOUNT

### Interpreting the Revised Results Report in an Initial Reconciliation

On the Reconciliation Results Report, in an initial Part D payment reconciliation, the previous values are not populated. However the formula for calculating the delta values still applies. Therefore, delta values will be populated and will be equal to the Current values. This was done so that Contracts would have to code to only one set of fields for both an initial Part D payment reconciliation and for a re-opened reconciliation. Contracts may choose to ignore the delta fields on an initial reconciliation since the amounts will be equal to the current value fields.

### Interpreting the Revised Results Report in a Re-Opening

It is important to note that the Previous data elements are not used by PRS to calculate the re-opened reconciliation. The previous amounts are used to determine adjustment amounts to the reconciliation. PRS determines the re-opened reconciliation as it would calculate an initial Part D payment reconciliation using the same calculations as are used in the Part D payment reconciliation. The PRS inputs with previous values such as the Total Actual Low Income Cost-Sharing Subsidy Amount are included to show the net change between the inputs of the initial reconciliation or prior re-opening and the current re-opening. The PRS reconciliation results

previous values are included in the Reconciliation Results Report to help contracts understand how CMS arrives at the adjustment to the final payment determination.

For example, a re-opened LICS reconciliation would be calculated by PRS by using the LICS reconciliation calculation:

$$\text{Current Low Income Cost-Sharing Subsidy Adjustment Amount} = \text{Current Total Actual Low Income Cost-Sharing Subsidy Amount} - \text{Current Prospective Low Income Cost-Sharing Subsidy Amount}$$

The next step would be to compare the calculated Current Low Income Cost-Sharing Subsidy Adjustment Amount (LICSAA) and compare it to the Previous LICSAA to arrive at the Delta LICSAA.

$$\text{Delta Low Income Cost-Sharing Subsidy Adjustment Amount} = \text{Current Low Income Cost-Sharing Subsidy Adjustment Amount} - \text{Previous Low Income Cost-Sharing Subsidy Adjustment Amount}$$

The Delta LICSAA will be used with the Delta Reinsurance Subsidy Adjustment Amount (RSAA), the Delta Risk Sharing Amount (RA), and the Delta Budget Neutrality Adjustment Amount (BNAA) to determine the Delta Adjustment Due to Payment Reconciliation Amount (ARA). The Delta ARA is the value on which any payment adjustment to the final payment determination would be based. The fields identified in Table 4 are used to calculate the Delta ARA:

**TABLE 4: RE-OPENED PART D PAYMENT RECONCILIATION ADJUSTMENT AMOUNTS  
FIELD NUMBER AND LOCATIONS ON THE RECONCILIATION RESULTS REPORT DET  
RECORD**

Re-Opened Reconciliation Amounts		Field Number	Field Position
	<b>Delta Low Income Cost-Sharing Subsidy Adjustment Amount</b>	Field 16	141-154
+	<b>Delta Reinsurance Subsidy Adjustment Amount</b>	Field 33	370-383
+	<b>Delta Risk Sharing Amount</b>	Field 58	604-617
-	<b>Delta Budget Neutrality Adjustment Amount (Demonstration Plans Only)</b>	Field 65	688-701
=	<b>Delta Adjustment Due to Payment Reconciliation Amount</b>	Field 68	730-743

The Delta ARA is summed to the contract-level for all plans in a Contract. The contract-level Delta ARA is found in the contract trailer (CTR) record in the Reconciliation Results Report. However, since re-opening is conducted at the plan-level, the Delta ARA is calculated at the contract/PBP-level.