



MEDICARE DRUG AND HEALTH PLAN CONTRACT ADMINISTRATION GROUP

MEMORANDUM

DATE: July 31, 2009

TO: All Medicare Advantage Organizations (MAO), Prescription Drug Plan (PDP) Sponsors, and 1876 Cost Plans

FROM: Teresa DeCaro, RN, M.S.
Acting Director, Medicare Drug & Health Plan Contract Administration Group

SUBJECT: Revised Guidance on Qualifying Criteria for 2009 Agent/Broker Initial Compensation Amount

On July 2, 2009, CMS sent an HPMS email indicating that we were examining our guidance on criteria for paying initial agent/broker compensation amounts for 2009. In that email we stated that more detailed guidance would be forthcoming. The purpose of this notification is to inform you of our recent policy change and provide the details regarding its implementation.

Effective immediately, CMS is requiring plans to pay independent agents and brokers initial compensation amounts for enrollments in 2009 that meet one of the following criteria:

- An enrollment of a beneficiary into an MA, Cost plan, or PDP who is completely new to Medicare.
- An enrollment of a beneficiary into an MA, Cost plan, or PDP who is currently in Original Medicare only.
- An enrollment of a beneficiary into an MA plan who is currently in Original Medicare with a PDP.
- An enrollment of a beneficiary into a PDP who is currently enrolled in an MA-only plan.
- An enrollment of a beneficiary into a PDP with Original Medicare who is currently in an MA plan.

2009 Compensation Reports

As a result of this policy change, new compensation reports identifying the enrollments that must be paid at the initial compensation amount were released to plans beginning on July 20, 2009. The first report contained all enrollments with an effective date of January 1, 2009, that qualify for initial compensation. We anticipate that the reports covering the months of February through June will be released to plans by July 29, 2009. After which, monthly reports will be released during the third week of the month following the month in which the enrollments were effective.

Compensation Payment Reminder

Plans are reminded that while the use of independent agents and brokers is optional, if a plan chooses to use them, they must follow our compensation regulations at 42 C.F.R. §422.2274 and §423.2274. In particular, when a beneficiary moves from one plan to another plan within the same parent organization, the agent must be paid the appropriate compensation amount for the plan change.

If you have questions, please send your questions to the MIPPA mailbox (RegulationQuestions@cms.hhs.gov).