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

CENTER FOR MEDICARE

DATE: December 30, 2011

TO: All Medicare Advantage Organizations (MAPD) and Prescription Drug Plan (PDP) Sponsors

FROM: Cynthia G. Tudor, Ph.D., Director, Medicare Drug Benefit and C & D Data Group

SUBJECT: Contract Year 2012 Part D Transition Monitoring Program Analysis

Consistent with 42 CFR § 423.120 (b)(3), a Part D sponsor must provide for an appropriate transition process for new enrollees, and in some cases current enrollees who are prescribed Part D drugs that are not on the Part D sponsor's formulary. As stated in the CY 2012 Call Letter, CMS requires that Part D sponsors provide documentation that their transition policy is correctly implemented in their claims system and that beneficiaries are receiving their required transition supplies. In order to ensure beneficiaries receive appropriate supplies of transition medications, we are announcing an enhanced transition monitoring program for CY 2012. This program will ensure that Part D sponsors are adequately administering Medicare Part D formulary transition policies consistent with Part D regulations and requirements.

The methodology below describes how we will complete this monitoring. Part D sponsors that are selected for analysis will be notified during the 1st week of January 2012 and will be provided detailed instructions on how to submit requested information to CMS. All sponsors should have the ability to provide the following information to us within 48 hours of request at anytime during the plan year, however only those sponsors selected by CMS will be required to submit these data on this timeframe.

- Sponsors will be required to submit all point-of-sale (POS) claims rejected for the following 3 categories: 1) non-formulary status; 2) Prior Authorization (PA); and 3) Step Therapy (ST) from January 1st 2012 through January 21st 2012.

- Sponsors will provide electronically a list of new enrollees with a January 1, 2012 effective date.

- Sponsors will upload the POS rejected claims and a list of new enrollees as a .txt file from January 23rd 2012 to January 27th 2012 11:59 PM EST.

For the contracts selected for review, HPMS formulary file extracts for CY 2011 and CY 2012 will be used to identify drugs that were deleted from the formulary or had an addition of PA and/or ST. A list of drugs that were subject to a formulary change will be selected. Once this list is identified, CY 2011 Prescription Drug Event (PDE) data will be used to identify beneficiaries taking these drugs. CMS will then conduct two analyses: 1) to identify continuing beneficiaries who had a rejected POS claim in

CY 2012 for a drug that qualified for a transition fill and 2) to identify rejected POS claims for Part D drugs for new members from January 1st 2012 to January 21st 2012.

These selected Part D sponsors will use a secure website to upload the documentation required. Medicare Compliance Officers of the selected contracts will receive a notification email that provides detailed instructions about accessing and designating access to the secure website. Attached is the Rejected Claims Template and New Members file layout that these selected Part D sponsors will be required to upload to the secure website. CMS recognizes that non-formulary drugs are generally rejected under an NCPDP reject code of 70, and PA under a reject code of 75. However, there is more variability to how Step Therapy is rejected. In order to standardize the rejections across all sponsors, the Rejected Claims Template includes a field relating to the reject category that sponsors must populate. The possible values include: 1= non-formulary, 2= PA, 3= ST.

CMS will identify inappropriate rejections and a failure threshold will be applied. Sponsors who meet or exceed this failure threshold will receive a notice of non-compliance, at a minimum, along with a report containing the details regarding each failed sample. Additional samples from the sponsor may be required in order to demonstrate compliance. CMS will require Part D sponsors to work aggressively to promptly address problems identified by this monitoring program. Failure to correct any confirmed errors may subject your organization to additional compliance actions.

For questions regarding the transition monitoring program analysis, please contact June Page at june.page@cms.hhs.gov or Jessica Herrera-Cancel at Jessica.herreracancel@cms.hhs.gov.

Thank you