

Medicare Plan Payment Group

Date:

June 13, 2008

To:

All Part D Plan Sponsors

From:

Tom Hutchinson, Director

Subject: 2009 Medicare Prescription Drug Benefit Attestation of Pricing Approach

On July 20, 2006, CMS issued the memo “Modified Q&A Addressing Drug Costs Reported on Prescription Drug Events (PDEs)”, in which CMS stated that for contract years 2006 and 2007, a Part D sponsor that uses a PBM may use either the lock-in amount or the pass-through amount as the basis for calculating beneficiary cost-sharing and reporting drug costs on EOBs and PDE records. CMS later expanded this guidance for contract year 2008 in the “Notification of Changes in Medicare Part D Payment for Calendar Year 2008”, released on April 2, 2007.

As announced in the “Announcement of Calendar Year 2009 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies” released on April 7, 2008, CMS has extended this policy for contract year 2009. Thus, for contract year 2009, as in 2006-2008, Part D sponsors that use a PBM may apply either the pass-through or lock-in approach when calculating beneficiary cost-sharing and reporting drug costs to CMS. Part D sponsors must choose only one approach for each plan and cannot switch between them for purposes of calculating cost-sharing and reporting drug costs. The chosen pricing approach must be used consistently as a basis for:

- calculating beneficiary cost-sharing;
- accumulating gross covered drug costs;
- calculating TrOOP;
- reporting drug costs on the Prescription Drug Event (PDE) record; and
- developing bids submitted to CMS.

In order to ensure transparency in bid development and the reporting of drug costs, Part D sponsors are required to submit an attestation for all Part D plans, through HPMS and hardcopy, which identifies the pricing approaches that were used in the development of their 2009 bids.

CMS is aware that some Part D sponsors may employ a combination of the pass-through and lock-in pricing approaches, or a hybrid approach, for certain Part D plans. For example, some sponsors may use the pass-through pricing approach for brand drugs and the lock-in pricing approach for generic drugs. Another example of a hybrid pricing approach is using the pass-through pricing approach for an internal pharmacy network and using the lock-in pricing approach for a wrap-around pharmacy network. As a result, the attestation of pricing approach has been updated for 2009 to allow Part D sponsors to indicate the use of a hybrid pricing approach. Part D sponsors, who indicate the use of a hybrid pricing approach, are required to attach a letter to the signed hard copy attestation submitted to CMS which provides a detailed explanation of the hybrid pricing approach and indicates which Part D plans utilize the hybrid pricing approach.

The Attestation of Pricing Approach for Individual Plans- CY 2009 will become available for upload on June 13, 2008 and may be accessed on HPMS using the following navigation path: HPMS Homepage > Plan Bids > Bid Submission > CY 2009 > Upload > Attestation of Pricing Approach. Part D sponsors will be required to complete this attestation for all of Part D plans offered in contract year 2009 with the exception of Employer/Union-only Group Waiver Plans (EGWPs).

Part D sponsors that offer Part D EGWPs are required to submit a different attestation of pricing approach for EGWPs offered in contract years 2008 and 2009. Part D sponsors that offer Part D EGWPs are not required to submit Part D bids for contract years 2008 and 2009. Accordingly, the pricing approach used for EGWPs is not used for developing bids submitted to CMS for contract years 2008 and 2009. However, Part D sponsors offering Part D EGWPs must still use the chosen pricing approach for calculating beneficiary cost-sharing and reporting drug costs on EOBs and PDE records. As a result, CMS is requiring a different attestation for EGWP plans, the Attestation of Pricing Approach for Employer/Union-only Group Waiver Plans.

Part D sponsors are required to submit the Attestation of Pricing Approach for Employer/Union-only Group Waiver Plans, through HPMS and hard copy, for all Part D EGWPs offered in either 2008 or 2009. The 2008 and 2009 Attestations of Pricing Approach for EGWPs will become available for upload on June 13, 2008 and may be accessed on HPMS using the following navigation path: HPMS Homepage > Plan Bids > Bid Submission > CY 2009 > Upload > Attestation of Pricing Approach. If a Part D sponsor offers Part D EGWPs in both 2008 and 2009, the Part D sponsor must submit one attestation for contract year 2008 and a separate attestation for contract year 2009. Please note that Part D sponsors will not have the option to indicate a hybrid pricing approach on the attestations for contract year 2008. For EGWPs that used a hybrid pricing in 2008, Part D sponsors should select the pricing approach (lock-in or pass-through) which was used for the majority of the Part D plan's claims and attach a letter to the signed hard copy attestation submitted to CMS that provides a detailed explanation of the hybrid pricing approach employed and indicates which plans used the hybrid pricing approach.

The Attestation of Pricing Approach for Individual Plans- CY 2009 and the Attestation of Pricing Approach for Employer/Union-only Group Waiver Plans for CY 2008 and CY 2009 must be submitted and mailed to CMS by **August 1, 2008**. For a hard copy of the attestations, print the PDF version of the attestations generated on HPMS when the pricing approach is selected and submitted on the Attestation of Pricing Approach page. These attestations require the signatures of both the CEO and CFO of the submitting organization. The signed attestations (along with attachments explaining any hybrid pricing approach utilized) must be mailed by overnight carrier to:

Centers for Medicare & Medicaid Services
ATTN: Meghan Elrington
Mail Stop S2-24-27
7500 Security Boulevard
Baltimore, MD 21244-1850

For technical assistance, please contact the HPMS Help Desk at either 1-800-220-2028 or hcms@cms.hhs.gov. For other questions, please contact Meghan Elrington at (410) 786-8675 or meghan.elrington@cms.hhs.gov.