

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
Center for Beneficiary Choices  
7500 Security Boulevard, Mail Stop S3-16-16  
Baltimore, Maryland 21244-1850



**MEDICARE PLAN PAYMENT GROUP**

---

**DATE:** August 1, 2006

**TO:** All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans, PACE Organizations and Demonstrations

**FROM:** Thomas Hutchinson /s/  
Acting Director

**SUBJECT: Medicare Advantage Prescription Drug System (MARx) August Payment – INFORMATION**

This letter provides information related to your August payment and related MARx processing issues that are applicable.

**IMPORTANT - Change to the November 2006 Cutoff Date**

To allow CMS to complete end of year processing in a timely manner, the MARx cutoff date will be **moved from 11/15 to 11/8**. Plans must submit enrollments by 11/8 in order to receive a December 1 payment for these individuals.

**2006 Mid-Year Risk Adjustment Factor Update**

The 2006 mid-year update, in which CMS will update your plan's risk scores using diagnosis data from calendar year 2005, occurred in your August payment. CMS will also adjust payments from January through July to reflect these risk score changes.

**Implementation Issues:**

CMS has determined that, due to system implementation issues, certain adjustments occurred as part of the risk adjustment update. These payment adjustments are in three groups:

- Retroactive payment adjustments for enrollees in employer group plans
- Part D retroactive payments for stand-alone prescription drug plans (PDPs)
- Part A/B prospective and retroactive payments for ESRD beneficiaries.

**Retroactive payment adjustments for enrollees in employer group plans:**

CMS has determined that clean-up activities associated with Part D premium rebate were happening as part of the risk factor update (under reason code 41). These adjustments occurred for members in 800 series plan benefit packages in MA organizations. This cleanup should have happened in a separate clearly identified process not associated with the mid-year risk factor update (ARC 41). We are validating the results of this cleanup and will report further information in the September payment letter.

Part D adjustments for prescription drug plans (MA-PDs and PDPs):

The Part D risk factor change should only affect the adjustment for the direct subsidy portion of the Part D payment. For some beneficiaries enrolled in Part D, however, MARx has generated additional adjustments for non-risk adjusted portions of the Part D payment, including: 1) the low-income cost sharing subsidy, 2) the reinsurance payment, and 3) the low-income premium subsidy. Because none of these payments are affected by Part D risk factor changes, CMS will adjust these payments at the organization level through APPS.

Part A/B adjustments for ESRD beneficiaries:

For certain beneficiaries in dialysis status with risk score changes; MARx has incorrectly reassigned these beneficiaries to a post-graft status. The result is that the system behaves as if these beneficiaries were in post-graft status for all of 2006, and takes back money as if they had been paid under post-graft status, or pays them prospectively as if they are in post-graft status for August. CMS will correct this problem at the beneficiary level in a future payment month.

### **Missing Part A/B Dollars for Adjustment Reason Code 26**

The risk adjustment factor update is shown as follows on the August MMR.

- Adjustment reason code 26 was used for beneficiaries with ONLY a change to their A/B factor. Part A and B dollars will be associated with this code.
- Adjustment reason code 41 was used for beneficiaries with a change in their A/B AND D factors. Part A, B and D dollars will be associated with this code.

All of the Part A and B dollars should have been shown under adjustment reason code 26 and should have been passed to the payment system in that manner. The plan payment report does not support Part A and B dollar amounts for adjustment reason code 41, so these amounts were dropped from the report and will not be included in your August 1 monthly payment.

To address this issue, CMS will make interim payments equal to the amounts of the missing A/B dollars to impacted plans during the first week of August. Due to volume issues, they will be processed in two sets. The first group will receive their payments on August 2 and the second group will receive their payments on August 4. Plans will receive a plan payment report containing the dollar amount of the interim payments wired to them.

### **Cost Plan Payment Rates**

The problem of some cost plan members not being paid at the correct per member per month (PMPM) rates continues. However, for cost plans that had members impacted by the mid-year Part D risk adjustment factor update, the demographic payments were updated to reflect the correct PMPM rates. Any corrections that you see in your August payment are an unforeseen product of the mid-year factor update process.

### **Medicare Secondary Payments for ESRD Members**

Effective with your August payment, payments for ESRD members found to be in MSP status will be reduced. Their payments will be multiplied by .215. Impacted members are identified on your MMR with a Y in position 152, ESRD MSP flag. This status is not set for the year; it can change each month.

**Plan Segment Clean-up**

A few plans chose to segment their PBPs for 2006. They then had to move their current members from a PBP to a PBP/segment via transaction type 72. MARx was unable to process the transactions causing the plans not to be paid for impacted members. (Payment is at the segment-level in these situations.) MARx conducted a cleanup and segment-level payments will be included in the August payments for involved plans.

**Late Enrollment Penalty (LEP) – LIS/LEP Report**

Plans will begin to see LEP offset amounts associated with beneficiaries that did not enroll into Part D timely. These amounts will be deducted from the capitated payments made to you for members that elected to pay premiums directly. These amounts will be deducted from the premiums received from social security prior to passing them onto you for members that have elected the withhold option. Unfortunately, the creation of the LIS/LEP report that was scheduled to be provided beginning with your August payment has been delayed. We will notify you when it will begin to be provided.

**IMPORTANT FINAL DEADLINE- Temporary Streamlined Retroactive Process**

The **FINAL DEALINE DATE** for the Temporary Streamlined Retroactive Process (letter dated May 12, 2006) for enrollment/disenrollment, correction or change transactions will be **AUGUST 10, 2006**. This is the date, all retro requests and documentation must be submitted to IntegriGuard. Please contact your DPO Representative directly to coordinate his process.

After August 10, 2006, CMS will return to the Retroactive Process found in Chapter 19 and on the IntegriGuard Website.

If you have any questions or issues that you wish to discuss, please feel free to contact your Division of Payment Operations representative directly (per Appendix B in the Plan Communications User Guide).

- cc: Mr. James Kerr, CMS
- Mr. Thomas E. Hutchinson, CMS
- Mr. David Lewis, CMS
- Ms. Cynthia Tudor, CMS
- Ms. Marla Kilbourne, CMS
- Ms. Julie Boughn, CMS
- RO HMO Coordinators
- DPO