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MEMORANDUM

TO: All Part D Sponsors

FROM: Cynthia Tudor, Ph.D., Director, Medicare Drug Benefit Group

RE: Pharmacy Network Adequacy

DATE: July 10, 2006

Through the initial application process to become a Part D sponsor, your organization was successful in establishing a pharmacy network that met the Centers for Medicare & Medicaid Services (CMS) regulatory requirements. The CMS wants to remind all Part D plan sponsors of their continued contractual obligation to have a pharmacy network sufficient to ensure access for beneficiaries residing in their service area.

As CMS continues to oversee a Part D plan sponsor's compliance with these requirements, we want to further remind organizations of the responsibility to notify your CMS account manager of any substantive change in your pharmacy network that may impact your ability to maintain a Part D pharmacy network that meets CMS' requirements.

Substantive changes to a pharmacy network include, but are not limited to:

- Not being able to meet the Tricare standard for retail access:
 - At least 90 percent of Medicare beneficiaries, on average, in urban areas served by the Part D plan live within 2 miles of a network pharmacy that is a retail pharmacy;
 - At least 90 percent of Medicare beneficiaries, on average, in suburban areas served by the Part D plan live within 5 miles of a network pharmacy that is a retail pharmacy; and
 - At least 70 percent of Medicare beneficiaries, on average, in rural areas served by the Part D plan live within 15 miles of a network pharmacy that is a retail pharmacy;
- Not being able to provide a beneficiary residing in a long-term care facility convenient access to a network long-term care pharmacy that serves the long-term care facility; or
- Not offering Part D contracts to all ITU pharmacies in your organization's service area in order to provide convenient access.

A sponsor should also notify its Part D account manager if the sponsor begins using a different PBM to manage its pharmacy network.

If you have any comments or questions, please feel free to contact your CMS account manager.