

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
Center for Beneficiary Choices
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MEDICARE PLAN PAYMENT GROUP

DATE: December 29, 2006

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

FROM: Thomas Hutchinson /s/
Director

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

This letter provides information about your January 2007 payment which you will receive on January 2, 2007. It also includes clarifications on enrollment processing related to terminated PBPs and rollovers.

2007 User Fees Applied

The user fee for the National Medicare Education Campaign (NMEC) and for the Coordination of Benefits (COB) will begin to be collected from your January payment. The amount of the MA NMEC user fee to be collected in Fiscal Year (FY) 2007 is \$39.1 million. CMS will assess MA plans an amount equal to 0.059% of each monthly prospective payment. The MA user fee is applicable to both MA plans and MA-PDP plans.

The amount of the PDP NMEC user fee to be collected in FY 2007 is \$18.4 million. CMS will assess PDP plans an amount equal to 0.065% of each monthly prospective payment.

The Part D COB user fee for FY 2007 is \$1.36 per member per year. CMS will assess the COB user fee at a rate of \$.15 a member each month from January – August 2007 and \$.16 for September 2007.

Medicare Secondary Payer (MSP) Reductions - DELAYED

At the beginning of each year, CMS computes the contract-level MSP reduction factors based on the survey data submitted by MA plans in September of the prior year. This factor is displayed on your plan payment report. For 2007, all plans, except for Social Health Maintenance Organization (SHMO) Demonstrations, will have one factor applied to their risk adjustment payments each month. Note that MA plans are paid at 100% risk adjustment beginning in 2007; there is no longer a demographic portion of the payment.

SHMO demonstrations will continue to have two MSP factors; one applied to their demographic payment and one applied to their risk adjustment payment.

The application of these factors has been delayed until your February 2006 payment. At that time, two months of MSP reductions will be taken.

Payment of December Plan Premiums

A system problem occurred during part of the last processing period when CMS provided transactions to SSA that affected beneficiaries' January SSA checks. The problem caused the premium withholding for about 51,000 beneficiaries to stop as of November 30 so no December premiums were withheld.

CMS has provided SSA with transactions to restart the withholding beginning with the December premium. Due to CMS/SSA processing schedules, impacted beneficiaries will not have their December premiums withheld until their January SSA checks. In addition, the majority of the beneficiaries will have two months of premiums withheld from their January checks to account for December and January. Starting with the beneficiaries' February checks, one month of premiums will be withheld ongoing.

CMS is sending a letter to the affected beneficiaries in addition to the letter being sent by SSA explaining the changes to their check amount due to the December premium adjustment.

Plans will not receive the December premiums for the affected members in the December Monthly Premium Withhold Extract (MPWE) data file received for January payment. These premiums will be on the January MPWE data file received and paid for February payment.

Transaction Type Code 54 Disenrollments

In September and October 2006, CMS processed disenrollments that were submitted by 1-800-MEDICARE (NGD aka Next Generation Desktop). These disenrollments were substantiated by the beneficiary calling the 1-800 Call Center and requesting a disenrollment. However, these disenrollments had retroactive effective dates. The processing of retroactive disenrollments from NGD is not a normal system function for MARx. When processing these retroactive disenrollments, the transaction type Code of 51 was used indicating a plan submitted the disenrollments. This resulted in reporting the NGD disenrollments on the September 16th, 2006 and the October 21st, 2006 Transaction Reply Reports (TRR) as plan submitted disenrollments. Normally, NGD disenrollments processed by MARx, produce a transaction type code of 54.

If your plan has experienced a higher than expected amount of disenrollments on the September 16th and/or October 21st, 2006 TRRs, as type code 51's, you are to process them as you normally would. Please follow normal business communication with the disenrolled beneficiaries as well (as stated in compliance with the Chapter 2 / PDP Guidance).

Use of Active PBP #s on Transactions

Plans are to use only PBP #s active for 2007 on enrollment and PBP change transactions. There have been some transactions received that contain PBPs that terminated in 2006 and are no longer active for 2007. In these cases, plans are receiving a transaction reply code of 042 – Enrollment Rejected; Blocked.

If you receive this reply, resubmit the transaction with an active 2007 PBP identifier.

To facilitate the reconciliation of these types of errors, MARx will be revised to return a transaction reply code of 107 – Rejected; Invalid or Missing PBP Number in a future release. Code 107 more accurately describes the type of error.

Enrollment Processing with Rolled Over PBPs

Plans are seeing effective begin and end dates when some enrollment or PBP change transactions are processed with effective dates of 12/01/2006. This situation occurs when the members of one PBP were rolled over to another PBP for 2007. MARX is ending the enrollment in the 2006 PBP and not continuing the enrollment in the 2007 PBP.

If this occurs for any of your members, submit a transaction type 61 with the new 2007 PBP and an effective date of 1/01/2007, by the cutoff day in January. The election type should be set to S (SEP) and the application date should be set to 11/30/2006. This will re-enroll the member into the correct PBP.

If you have any questions or issues that you wish to discuss, please feel free to contact your Division of Payment Operations representative per the attached list. Thank you.

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