

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



## CENTER FOR BENEFICIARY CHOICES

**DATE:** April 6, 2007

**TO:** Part D Plan Sponsors

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

**SUBJECT:** Part D Plan Sponsors' Obligation to Reconcile State  
Pharmaceutical Assistance Program (SPAP) Claims

The 402 Demonstration Project (State-to-Plan Reconciliation Project) was limited to the reconciliation of state claims for full benefit dual eligible beneficiaries and low-income subsidy-entitled beneficiaries for the first quarter of calendar year 2006. This memorandum serves as a reminder to Part D plan sponsors that they are obligated to work with State Pharmaceutical Assistance Programs (SPAPs) to coordinate benefits outside of the 402 Demonstration Project. Although the Centers for Medicare & Medicaid Services (CMS) does not have an accounting of the number of claims that require reconciliation between Part D plan sponsors and SPAPs outside of the State-to-Plan Reconciliation Project, SPAP sources estimate that there are potentially several million claims that fall into this category.

Under our regulations at 42 CFR § 423.464 and Chapter 14 of the Prescription Drug Benefit Manual on the coordination of benefits, Part D plans sponsors are required to reconcile the payment of claims with other payers, including SPAPs, when those payers have paid in the place of the Part D plan sponsor. Since there is no industry standard for a post point-of-sale adjudication process for reconciling claims among payers (excluding reversal and rebilling to pharmacies), this coordination has proved challenging. CMS is pleased that several Part D plan sponsors, despite technical challenges, have begun working with SPAPs to reconcile the non-demonstration claims. We remind all other Part D sponsors that they must coordinate benefits, regardless of when the claim is filed, and whether the claim's cost is submitted in time for 2006 payment reconciliation with CMS. While we are not enforcing the March 31, 2007 deadline for receipt and payment of certain claims by plans, we remind sponsors that they are still subject to established data submission deadlines to CMS. We note, however, that these deadlines do not place any limits on the SPAPs' ability to seek and obtain reimbursement from the Part D plans once those dates have passed.

In order to help facilitate the resolution of these claims, we have outlined a range of options (attached) to undertake the reconciliation process between SPAPs and Part D plan sponsors, without endorsing any particular approach over another. States and plan sponsors may also adopt other approaches, if agreed to by both parties. If you have not already begun working with SPAPs, it would be in your best interest to begin reconciliation quickly, since further delay in reconciliation may result in these claim costs not being included in your 2006 payment reconciliation. CMS is pleased to report that some of the suggested reconciliation approaches outlined below are already being actively pursued by SPAPs and Part D sponsors, with some reconciliation payments already made.

Further guidance regarding coordination of benefits is provided in Chapter 14. If you have questions regarding coordination of benefits, please contact Christine Hinds at (410) 786-4578.

Options	Background	Timeframe Required	Costs Involved
<p><b>1. Contract with contractor used by Federal Government for the 402 Demonstration</b></p>	<p>For the demonstration, Public Consulting Group (PCG) has been customizing the claims files sent by States and SPAPs for each processor. Where processors require specific fields that were not included in the State data, PCG has worked with each processor to populate default values in those fields. If contracting with PCG, states can utilize this experience.</p>	<p>States may submit their claims files to PCG, and have their claims paid relatively quickly because of the processor-specific processes PCG has developed for the State-to-Plan demonstration. Processors will also be ready to receive these files because of the programming they have already put in place in order to adjudicate the demonstration claims.</p>	<p>States will be charged fees for using PCG or HMS. Plans can consider sharing these costs with SPAPs in order to minimize administrative costs and expedite resolution (in time to submit costs to CMS for 2006 reconciliation).</p>
<p><b>2. Contract with third party liability (TPL) contractor similar to ones currently used by Medicaid</b></p>	<p>There are a number of TPL contractors that have the processes in place to recover payments on behalf of the SPAP. Medicaid agencies contract with recovery agents to identify other payer liabilities for recovery. These recovery agents take the Medicaid mistakenly paid claims and customize them for processors in the same way pharmacy software does at the point-of-sale.</p>	<p>This option would not be expected to be as quick as Option 1. States may need to competitively bid the contract, unless this option can be accommodated under the State's Medicaid TPL contract.</p> <p>Additionally, Plans will need time to program their systems to receive and adjudicate these claims. For comparison, the time necessary for plan programming in the</p>	<p>Contractor will need to be reimbursed. (Proposed fees of between 4% and 9% of the recovered amount have been reported by SPAPs.) Plans will also incur costs for system programming. Plans can consider sharing these costs with SPAPs in order to minimize administrative costs and expedite resolution (in time to submit costs to CMS for 2006 reconciliation).</p>

Options	Background	Timeframe Required	Costs Involved
		demonstration project has been six months.	
<b>3. Submit claims in NCPDP batch 1.1 format directly to plans</b>	States could use the NCPDP 1.1 batch format file layout that was used under the demonstration. Plans would have to establish either a secure file transfer protocol (SFTP) web site for these files, or, accept the files on other media (e.g. encrypted CD/DVD).	Similar to #2, Plans will need time to program their systems to receive and adjudicate these new files. Plans may have to discuss files and data issues with SPAP technical staff to resolve data and processing questions. This will be a time consuming process on the part of the plans, and expected to result in some delay in payment to the SPAPs.	Plans will incur the additional cost of programming to receive and process state files.
<b>4. Submit paper claims</b>	States would produce paper claims and send to plans through the plan COB contact.	Plans would require the time necessary to utilize their existing processes (largely manual) for entering and adjudicating manual claims. Discussions with SPAP technical staff may be required to resolve data and processing questions.	States would incur costs of producing paper claims.  Plans would incur costs associated with manual data entry and problem resolution.
<b>5. Other unique process between the state and plan</b>	Another agreed upon process by both the plans and the state that would result in the reconciliation of state claims.	Unknown	Unknown