

DEPARTMENT OF HEALTH & HUMAN SERVICES
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Center for Beneficiary Choices
Medicare Plan Payment Group

Date: April 26, 2007

To: All Part D Plan Sponsors

From: Tom Hutchinson, Director
Medicare Plan Payment Group

Subject: Q&A Addressing Claims Straddling Co-payment Benefit Phases

In response to questions concerning the appropriate beneficiary cost sharing for claims straddling phases of the prescription drug benefit, CMS is releasing the attached Question and Answer (Q&A). This Q&A provides guidance which should help Part D Sponsors ensure that they are charging their beneficiaries the appropriate cost sharing for these claims.

Further Information

If you have questions about this Q&A, please contact Meghan Elrington at (410) 786-8675.

Q&A

Question: When a claim crosses multiple phases of the prescription drug benefit that have co-payments, what cost sharing should the beneficiary pay? For low-income subsidy eligible beneficiaries, what cost sharing should the beneficiary pay when a claim crosses from the coverage gap to the catastrophic phase of the benefit?

Answer: Starting in plan year 2008, to ensure uniform reporting in Prescription Drug Event (PDE) records and equitable cost sharing between the beneficiary and the plan, Part D sponsors are required to charge beneficiaries one co-payment, the co-payment applicable to the phase of the benefit in which the claim began. For example, a beneficiary is enrolled in an enhanced alternative plan that has a generic co-payment of \$5 in the initial coverage period and a generic co-payment of \$15 in the coverage gap. If the beneficiary purchases a generic drug and that purchase moves the beneficiary from the initial coverage period to the coverage gap phase of their prescription drug benefit, the plan must charge the beneficiary a \$5 co-payment because the claim started in the initial coverage period.

For plan years 2006 and 2007, Part D sponsors should continue with their current operations and charge beneficiaries the cost sharing they accounted for in their bids. However, if a Part D sponsor did not account for this cost sharing when developing their bids for 2006 and 2007, the sponsor should follow the policy described above and charge beneficiaries the co-payment applicable to the phase of the benefit in which the claim began.

Please note that this guidance does not apply to claims that cross multiple phases of the prescription drug benefit with coinsurance (e.g. 100% coinsurance in the deductible or coverage gap) and co-payments. For guidance on these straddle claims, Part D sponsors should refer to the CMS PDE Training Participant Guide located at www.csscooperations.com/new/pdic/pdd-training/pdd-training.html.

For full and partial low-income subsidy eligible (LIS) beneficiaries, when a claim crosses from the coverage gap to the catastrophic phase of the benefit, Part D sponsors are required to charge these beneficiaries only the cost sharing applicable to the portion of the claim below the out-of-pocket threshold starting in plan year 2008. For example, a partial subsidy LIS beneficiary is enrolled in a defined standard plan in 2008 and has \$4,035 in true out-of-pocket costs (TrOOP). If the beneficiary purchases a covered Part D brand drug that has a total cost of \$150, the plan must charge the beneficiary \$2.25 in coinsurance (15%) for the \$15 in gross covered drug cost applicable to the coverage gap phase. The plan would not charge the beneficiary the additional \$5.60 co-payment for the portion of the drug cost applicable to the catastrophic phase. Please note that this policy is not currently addressed in the guidance on straddle claims provided in the CMS PDE Training Participant Guide.

For plan years 2006 and 2007, Part D sponsors should continue to charge LIS beneficiaries the cost sharing they accounted for in their bids, provided that they do not

charge cost sharing for both benefit phases such that LIS beneficiaries pay two cost sharing amounts for a single claim. LIS beneficiaries must be charged only one cost sharing amount or co-payment for claims that cross from the coverage gap to the catastrophic phase of the benefit.