

DEPARTMENT OF HEALTH & HUMAN SERVICES
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Date: November 27, 2007

To: All Part D Plan Sponsors

From: Thomas Hutchinson
Director, Medicare Plan Payment Group

Subject: Reporting Estimated Rebates Applied to the Point-of-Sale Price:
Operational Guidance

This guidance provides technical detail necessary to implement Estimated Rebates Applied to the Point-of-Sale Price, effective January 1, 2008. Please see previous guidance published via HPMS on June 1, 2007 with the subject line "Reporting Estimated Rebates Applied to the Point-of-Sale Price".

As announced earlier CMS will add an additional field, "Estimated Rebate at POS" to the Prescription Drug Event (PDE) Record in positions 291-298. To summarize our June 1 Guidance, some plans have reduced the beneficiary cost at point of sale by estimating the rebate that they will receive and applying it to the drug price. Plans electing to apply an estimated rebate at point of sale in this manner must report that amount in this new field. All other cost and payment reporting will be net of the Estimated Rebate at POS amount. As part of this implementation CMS will change PDE editing as follows:

Edit 646(new) - "Estimated Rebate At Point of Sale is missing or invalid. For service dates effective January 1, 2008 forward, must be \geq zero. For service dates prior to 2008, must be zero or spaces."

Edit 810(new) - "Estimated Rebate at Point of Sale amount is invalid. Must equal zero in PDEs submitted by PACE Programs." The Estimated Rebate at Point of Sale must be zero because PACE Organizations are precluded from charging any form of cost-sharing.

Edit 630(revised) - "The Ingredient Cost Paid is missing or invalid. The Ingredient Cost Paid must be \geq zero." CMS will now accept a zero amount in the Ingredient Cost Paid Field. Previously CMS required that Ingredient Cost Paid be greater than zero. This edit change also addresses concerns raised by PBMs. Some PBMs use processing rules that assign drug cost first to dispensing fee. When drug cost is less than or equal to the plan's dispensing fee, the PBM's logic reports an ingredient cost of zero.

Edit 694(new) - "The sum of Ingredient Cost, Dispensing Fee and Vaccine Administration Fee must be $>$ zero." The rationale for this edit change is that there must be a cost for any drug, even in the improbable situation in which the Estimated Rebate at POS equals or exceeds the sum of Ingredient Cost, Dispensing Fee and Vaccine Administration Fee. If necessary, plans should report a minimal cost of \$.01 in either the Ingredient Cost or Dispensing Fee field in order to satisfy edit 694.

Please note that Estimated Rebate at POS is separate and apart from all amounts reported in the cost and payment fields so it does not affect our current cost balancing edits (edits 690-692).

Implementation Schedule: Currently CMS is performing system testing and expects to implement changes for the Estimated Rebate at Point of Sale on December 14, 2007 (plans may only submit the field beginning in 2008). We will distribute an announcement confirming the actual implementation date. Updated layouts for the PDE Return File and the monthly reports will be published in a separate announcement.

Please address questions about this memo to Sandra.Anderson@cms.hhs.gov. Thank you.