



**CENTER FOR MEDICARE
MEDICARE PLAN PAYMENT GROUP**

DATE: February 14, 2012

TO: Medicare Part D Sponsors and Pharmaceutical Manufacturers

FROM: Cheri Rice, Director
Medicare Plan Payment Group

SUBJECT: Medicare Coverage Gap Discount Program (CGDP) Electronic Funds Transfer (EFT) Guidance

Part D sponsors

Under the CGDP Agreement (see Section II (m)) Pharmaceutical Manufacturers are required to pay invoiced discount amounts to Part D sponsors by EFT. In order to facilitate the process, CMS used banking information already available in the Automated Plan Payment System (APPS) system to create a file for use in the Coverage Gap Discount Program. This file was distributed by the Third Party Administrator (TPA), to manufacturers, via their secure mailbox. Since the initial EFT file was created for the Discount Program implementation on January 2011, Part D sponsors have contacted the TPA to make changes to their banking information. The TPA then distributed an updated version to manufacturers. In order to automate the process, and provide for regular updates that correspond to the quarterly invoice cycle, CMS is establishing this enhanced procedure for banking information updates.

While the banking information provided by Part D sponsors to APPS was used to initially establish the EFT with manufacturers, subsequent changes to banking information for APPS and the CGDP are distinct. For CGDP payments Part D sponsors are permitted to make changes to their banking information only quarterly and according to the following schedule:

EFT Quarterly Update Timeline

Benefit Year and Quarter	PDE Invoice Reporting Period End	EFT File update cutoff	Updated EFT file distributed	Quarterly Invoice Distribution
2012 Q1	3/31/2012	04/20/2012	04/25/2012	4/30/2012
2012 Q2	6/30/2012	08/20/2012	08/25/2012	8/31/2012
2012 Q3	9/30/2012	10/20/2012	10/25/2012	10/31/2012
2012 Q4	12/31/2012	01/20/2013	01/25/2013	1/31/2013

Part D sponsors may ensure proper payments from manufacturers on invoiced discounts, by logging on to the TPA's CSSC website and using an online EFT information update form. Part D sponsors will be given the opportunity to verify their changes before they are stored in the TPA system. Changes will be applied to the current EFT file on a quarterly basis and pushed to manufacturers secure mailboxes shortly before invoices are distributed for a given quarter. This will ensure that the most up to date information is made available as invoices are received and paid. Correct and complete banking information will prevent payment errors that could lead to missed transfers and unnecessary fees.

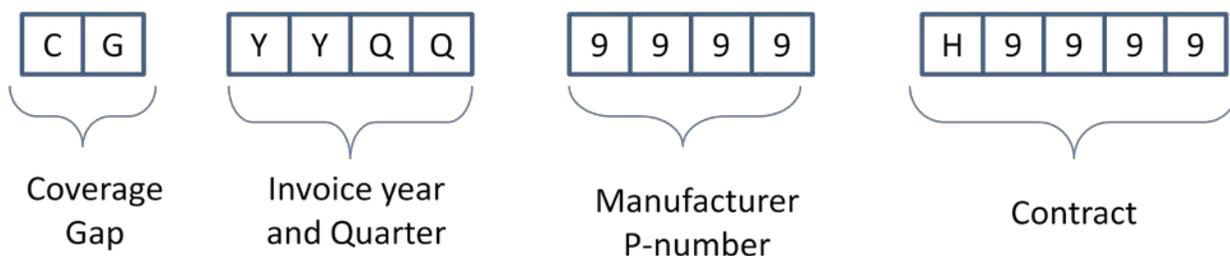
Instructions for use of the online form and the timeline for quarterly EFT file updates may be found at www.csscooperations.com.

Pharmaceutical Manufacturers

Payment Confirmation and EFT Individual Invoice Identifier

Confirmation of CGDP invoice payments is a two- part process. Manufacturers make payments at the Part D sponsor contract level using EFT, and then submit a Payment Confirmation report to the TPA. Part D sponsors identify payments made to at the contract level, from pharmaceutical manufacturers, and confirm payment before submitting their Payment Confirmation to the TPA.

In order for Part D sponsors to identify Discount Program payments for each of their contracts, CMS established the EFT Individual Identification Number (EFT IIN) and included it on the Manufacturer Invoice file layout on record type TPACT, field 13. The EFT IIN is a 15-character code that provides identifying information to Part D sponsors concerning the payment they are receiving. Manufacturers are supplied this code on their invoice reports and instructed to include it on their EFT payments. Contracts should be able to identify the source of the payment by locating it on their banking account records. The format is:



"CG" + Year/Quarter (i.e. "YYQQ") + Manufacturer P Number numerics (i.e."8888") + Contract Number (i.e. "H1234").

Payment confirmation by Part D sponsors could be delayed if a manufacturer fails to include the EFT IIN. Both ACH and Fedwire services provide space to record the EFT IIN as remittance advice. To make sure payments are correctly identified, manufacturers must include the EFT IIN on their payment submission.

Bundled Payments

Part D sponsors advance gap discounts on behalf of manufacturers at the Point of Sale (POS) so that beneficiaries will experience immediate cost savings. Prescription Drug Event (PDE) data is subsequently submitted to CMS for each discount where it is aggregated and invoiced quarterly. Per Section V(b) of the Discount Program Manufacturer Agreement, it is required that payments be made to Part D sponsors within 38 days of receipt of the quarterly invoice and payment confirmation be submitted to the TPA within 5 business days of the payment date. Part D sponsors are also required to confirm that they have received payments within 5 business days of the payment date. In order to make the payment confirmation process accurate CMS requires manufacturers to pay Part D sponsors at the contract level. In order to facilitate this process, EFT banking information is provided to manufacturers with one entry for each contract. Where contracts share a common Part D sponsor the EFT entries may be identical. Manufacturers cannot combine payments to like EFT entries. Part D sponsors must be able to clearly identify the paying manufacturer, contract and amount of payment by examining the EFT IIN for each payment. When payments are combined or bundled it is difficult for the Part D sponsor to identify the individual contract to whom the payment is being made.

W-9s and 1099s

Manufacturers have requested guidance from CMS if it required for them to send 1099s to Part D sponsors for Coverage Gap Discounts. In the July 6, 2011, webinar (slides are available at www.cssc.com), CMS reported that the Internal Revenue Service (IRS) had indicated that they may provide guidance on this issue in a “private letter ruling” issued to an individual taxpayer in response to a written request. The IRS would then release a redacted private letter ruling to the public. To date, we are unaware that a private letter ruling has been requested. Thus, CMS advises manufacturers to consult their tax professionals for information regarding the need for W-9 documents. CMS has no role in the oversight of these tax documents and will not facilitate a process for obtaining this information. If a manufacturer determines that these documents are needed, manufacturers may in this case contact Part D sponsors directly in order to obtain the required information. Neither CMS nor the TPA will provide advice or assistance regarding either of these documents.