

# Part D Advisors Newsletter

## 2<sup>nd</sup> Quarter 2008

2009 LIMITS/THRESHOLDS, RETAINED REBATES ANNOUNCEMENT, AND OIG AUDITS

### 2009 LIMITS AND THRESHOLDS

On April 7<sup>th</sup>, 2008 the CMS released the adjusted cost limit and threshold amounts for all plan years ending in 2009. The new threshold and limit reduction amounts are \$295 and \$6000, respectively. These increased over the 2008 amounts to allow for an additional \$100 in potential subsidy for each RMEI (Retired Medicare Eligible Individual.) Threshold and limit reduction values for Plans years ending in 2006, 2007, and 2008 remain unaffected.

**For all plan years ending in 2009, the new threshold and limit reduction are \$295 and \$6000.**

When submitting all final cost reports, interim payment requests, and annual payment requests for plan years ending in 2009 the new threshold and limit reduction values must be used.

### SUBSIDY AUDITS BY THE OFFICE OF THE INSPECTOR GENERAL HAVE BEGUN

Since the inception of the Retiree Drug Subsidy program, the threat of an audit has loomed above the heads of Plan Sponsors, motivating them to report costs and determine their retiree's eligibility to the most accurate of their ability. While no formal audits have been performed yet, preliminary audits have begun. The results of the preliminary audits allow time for those targeted groups to correct the short comings of their current methods and correctly report their subsidy going forward before final reconciliation.

Part D Advisors takes great pride in the fact that our professional methods and precise record keeping ensure that any audit of our clients will show we have followed the procedures exactly, and accurately reported all costs and eligibility for all plan years. After all, Medicare Part D subsidy recovery is our profession and sole obligation, giving us an edge over groups electing to leave subsidy recovery to a vendor who has Part D subsidy recovery as only a small aspect of their overall business model.

Unfortunately, some systems were not set up specifically to accommodate the unique process of the RDS. The Plan Sponsor Blue Cross Blue Shield of Massachusetts, Inc. (BCBSMA) was audited by the Office of the Inspector General (OIG) for their plan year ending 12/31/2006. The audit was performed from April to November 2007, during which time the OIG identified several issues which needed to be corrected prior to final reconciliation of that plan year. First, OIG found that BCBSMA had overstated its allowable retiree cost for 6 of the 50 RMEI sample, to the amount of \$12,798. BCBSMA overstated costs by about 12%. In addition BCBSMA included Gross Retiree Costs for retirees outside of their plan's eligibility and the subsidy period approved by the CMS for their plan year ending in 2006. Lastly, BCBSMA did not establish adequate administrative safeguards to protect the electronic personal health information in the retiree data.

**While this audit was only preliminary, it illustrates just a few of the many problems that can arise when Medicare Part D subsidy recovery is performed by someone whose major priorities and responsibilities aren't centered on subsidy recovery.**

## CMS REBATE ANNOUNCEMENT

On June 4, 2008 CMS reissued the July 23<sup>rd</sup> 2007 release concerning rebates and other price concessions retained by PBMs. In order to more accurately calculate Allowable Retiree Costs, plan sponsors must include all manufacturer rebates retained by PBMs in the calculations. The CMS defines Allowable Retiree Cost as: "gross covered retiree plan-related prescription drug costs (gross costs) that are actually paid (net of any manufacturer or pharmacy discounts, charge-backs, rebates, and similar price concessions) by either the qualified retiree prescription drug plan or the qualifying covered retiree (or on the qualifying covered retiree's behalf)."

Many Plan Sponsors have negotiated specific agreements with their PBMs regarding retained rebates. All plan years starting after January 1<sup>st</sup> 2007 will be required to fully disclose all rebates whether retained by a PBM or not in their calculation of Allowable Retiree Cost. For plan sponsors with contracts executed prior to January 1<sup>st</sup> 2007 that do not have a rebate reporting provision, the plan sponsor may make a reasonable, good faith estimate of the manufacturer rebates retained by the PBM. CMS also reiterated that accurate rebate reporting is also the responsibility of the plan sponsor. Please take special note of the last paragraph of the rebate announcement.

**"In the event the PBM refuses to provide CMS auditors of the OIG access to drug-event-specific aggregate rebate data as required under its vendor agreement with the RDS Plan Sponsor, CMS reserves the right to impose sanctions against the RDS Plan Sponsor as appropriate."**

Follow the link to read the entire [guidance report](#). The text of the June 4th announcement can be viewed [here](#).

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(This article was prepared by Part D Advisors, Inc as a Subsidy Tip in the 2<sup>nd</sup> Quarter Newsletter. If you wish to print and share the information in this newsletter, this Part D Advisors, Inc "credit" statement must be included. For more information regarding Part D Advisors, Inc or its services, please visit [www.PartDAdvisors.com](http://www.PartDAdvisors.com) or contact Part D Advisors, Inc at (888) 447-2783.)