20 – Overview

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This chapter provides COB guidance for plans providing prescription drug coverage under Medicare Part D. Part D sponsors are required to coordinate with State Pharmaceutical Assistance Programs (SPAPs) and other providers of prescription drug coverage with respect to the payment of premiums and coverage, as well as coverage supplementing the benefits available under Part D.[1] The Medicare Modernization Act (MMA) specified that these coordination requirements must relate to the following elements: (1) enrollment file sharing; (2) claims processing and payment; (3) claims reconciliation reports; (4) application of the protection against high out-of- pocket expenditures by tracking true out-of-pocket (TrOOP) expenditures; and (5) other processes that CMS determines.

When a Medicare Part D enrollee has other prescription drug coverage, COB allows the plans that provide coverage for this same beneficiary to determine each of their payment responsibilities. This process is necessary in order to avoid duplication of payment and to prevent Medicare from paying primary when it is the secondary payer.

While this is the principal purpose of COB within the contexts of Medicare Parts A and B, COB also serves an additional function within the Part D context: it provides the mechanism for support of the tracking and calculating of beneficiaries' TrOOP expenditures, or "incurred costs" as defined in the MMA and CMS' implementing regulations. Costs for covered Part D drugs are treated as "incurred" only if they were paid by the individual (or by another person, such as a family member, on behalf of the individual), paid by CMS on behalf of a low-income subsidy-eligible individual, or paid under a qualified *entity such as* SPAP, *ADAP, or a bona fide charity* as defined in CMS regulations. Costs do not count as

[1] Under § 423.458(d), Part D requirements may be waived for Programs of All-Inclusive Care for the Elderly (PACE) organizations if the requirements are determined to be duplicative of, or in conflict with, provisions that would otherwise be applicable to these organizations.

"incurred" when: 1) no benefits are provided because of the application of either a formulary or the Medicare Secondary Payer (MSP) laws, or 2) when costs are reimbursed through insurance or otherwise, a group health plan, or *other coverage*. Therefore, only certain costs not paid for by the Part D sponsor count toward TrOOP. The Medicare Part D benefit parameters for the defined standard Part D benefit are updated annually and published in the Final Rate Announcement which is issued each April for the following year. The Part D benefit parameters are available in the Rate Announcements on the CMS *website*. See Appendix B for the specific Web address.

The MMA provided CMS with authority to impose user fees *on Part D plans* to defray the costs of Part D COB activities, as well as to retain a portion of those user fees to offset costs associated with *CMS-contracted Part D Transaction Facilitator.* The MMA prohibited CMS from levying user fees on SPAPs in CMS' regulations. CMS clarifies that only Part D sponsors – not SPAPs or other payers – will be assessed user fees. Although Part D sponsors may charge user fees to other payers for COB activities, these user fees must be reasonable and related to the Part D sponsors' actual costs of COB with these entities. In addition, any user fees Part D sponsors charge other entities must specifically exclude those activities that are covered by the user fees CMS is collecting for COB. Thus, for example, Part D sponsors may not charge user fees for activities such as the costs of the claims transaction by supplemental payers (since Part D user fees funded by CMS are used in part for that purpose), but sponsors may charge for activities such as the exchange of claims data.

Section 1860D-23(a)(4) of the Social Security Act (the Act) requires the Secretary, in establishing the requirements for coordination of benefits under Medicare Part D, to consult with SPAPs, Medicare Advantage (MA) organizations, States, pharmacy benefit managers (PBMs), employers, representatives of Part D eligible individuals, data processing experts, pharmacists, pharmaceutical manufacturers, and other experts. CMS has undertaken extensive consultation with these stakeholders actively participating with National Council for Prescription Drug Programs (NCPDP) in developing with the industry Health Insurance Portability and Accountability Act of 1996 (HIPAA) standard processes for coordination of benefits.

Although this chapter provides guidance primarily for Part D sponsors, the various processes associated with COB involve interactions between multiple parties. For that reason, CMS provides detailed guidance regarding the COB requirements applicable to the various parties including beneficiaries, Part D sponsors, and other payers. In addition to the guidance contained in this chapter, NCPDP created a white paper entitled, "Overview of the Medicare Part D Prescription Drug Coordination of Benefits (COB) Process." This white paper provides an overview of the processes and entities associated with Part D COB and includes recommendations for industry standard practices. Section 4 of the paper summarizes the COB requirements in the Social Security Act and Federal regulations and CMS' implementing guidance. The guidance and recommendations in the subsequent sections of the white paper flow from CMS regulations and guidance. The document is available on NCPDP's website. See Appendix B for the specific Web address.

In Appendix A of this guidance, CMS provides an illustration of how the Part D transaction facilitation process works. Appendix B contains a list of *websites* relevant to COB and

referenced in this chapter and Appendices C and D respectively include the *A*utomated TrOOP *B*alance *T*ransfer guidance and the related addendum for PACE organizations. Appendix E provides detail on specific issues that may relate to (or be of particular interest to) other payers and entities with which Part D sponsors, per the requirements of § 423.464(f), are required to coordinate with mutually exclusive payers and primary/supplemental payers when known as defined in Table 30.2-1 through 30.2-3., Further guidance on systems requirements and technical details involved in the COB process has been issued in other communications and is included here by reference. In Appendix *D*, CMS addresses the applicability of COB to PACE requirements. Appendix *F* contains a glossary of terms.