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**DATE:** December 26, 2012

**TO:** All Part D Plan Sponsors

**FROM:** Cheri Rice, Director, Medicare Plan Payment Group

**SUBJECT:** Correction to Previous Memo Titled “Updates to the Drug Data Processing System for Edit 870”

On December 7, 2012, the Centers for Medicare & Medicaid Services (CMS) announced upcoming changes to the Drug Data Processing System (DDPS) for Edit 870. There was an error in that memo; specifically with regard to how this edit will apply to Enhanced Alternative plans in 2013. The corrected edit logic is described below.

The changes to Edit 870 implemented in this release apply when the claim falls completely in the Coverage Gap and the plan may or may not offer supplemental coverage within the Gap. If the plan is an Enhanced Alternative plan and a portion of the drug cost falls within EA Mapping Rule 4, the steps will be modified to account for Rule 4 for PDEs with DOS in 2011 and 2012. As a reminder, plans that believe they received Edit 870 in error for PDEs with Dates of Service (DOS) in 2011 or 2012 are instructed to resubmit these PDEs after December 28, 2012.

Beginning in 2013, Part D plans begin to assume a portion of the cost of applicable drugs for applicable beneficiaries in the gap. In order to account for this we have updated the logic to account for the additional plan liability when determining the discount eligible cost for EA plans that offer supplemental coverage in the gap. Additionally, we modified the edits that apply for gap-to-gap EA Rule 4 PDEs based on whether the plan offers supplemental benefits in the gap. While this change will be implemented on December 28, 2013, it will be applicable for Coverage Gap PDEs with DOS on or after January 1, 2013.

The modifications are provided in italicized font.

**Step 1: Determine costs that fall within the Coverage Gap:**

**Drug Cost = Ingredient Cost Paid + Total Amount Attributed to Sales Tax + Dispensing Fee Paid + Vaccine Administration Fee**

*Step 1a: For EA plans, determine if a portion of the cost falls within Rule 4:  $TGCGC \text{ Accumulator} + GDCB > \text{Benefit Year Rule 4 Amount}$  and  $TrOOP \text{ Accumulator} + \Delta TrOOP \leq \text{Benefit Year Out of Pocket Threshold Amount}$ . If this is TRUE, then a portion of the cost falls within Rule 4.*

*$\Delta TrOOP$  is the sum of Patient Pay Amount + Other TrOOP Amount + LICS Amount + Reported Gap Discount Amount*

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*Step 1b: Calculate the portion of the gap dollar amount that is in Rule 4 as the lower of GDCB or TGDCB Accumulator + GDCB – Rule 4 Dollar Amount*

*Step 1c: Select the Rule 4 gap amount calculated in Step 1b or zero (whichever is higher)*

*Step 1d: Multiply the amount from Step 1c by 0.15 to determine the CPP amount that is not subject to the gap discount. This amount is called the Rule 4 adjustment amount.*

### Step 2: Determine Discount Eligible Cost

If  $NPP + CPP \geq \text{Dispensing Fee Paid} + \text{Vaccine Administration Fee}$  then

Discount Eligible Cost = Drug Cost – (NPP + CPP)

Else If  $((NPP + CPP) < \text{Dispensing Fee Paid} + \text{Vaccine Administration Fee})$  then

Discount Eligible Cost = Ingredient Cost Paid + Total Amount Attributed to Sales Tax

*For EA plans with a portion of the drug cost falling within Rule 4, the Discount Eligible Cost should be calculated as:*

*For dates of service prior to 2013:*

*If  $(NPP + \text{Rule 4 Adjustment Amount}) \geq (\text{Dispensing Fee Paid} + \text{Vaccine Administration Fee})$  then*

*Discount Eligible Cost = Drug Cost – NPP – Rule 4 Adjustment Amount*

*Else If  $(NPP + \text{Rule 4 Adjustment Amount}) < (\text{Dispensing Fee Paid} + \text{Vaccine Administration Fee})$  then*

*Discount Eligible Cost = Ingredient Cost Paid + Total Amount Attributed to Sales Tax*

*For dates of service on or after 1/1/2013:*

*Discount Eligible Cost = Ingredient Cost Paid + Total Amount Attributed to Sales Tax*

*(In those instances where the PDE is from a plan that offers a supplemental benefit in the gap, the Calculated Gap Discount will be considered to be the Maximum Gap Discount and reject Edit 871 will apply. Additionally, Max Discount informational edits will also be triggered on accepted PDEs meeting these criteria. In instances where the PDE is from a plan that does not offer a supplemental benefit in the gap, an exact Calculated Gap Discount will be considered and Edit 870 will apply.)*

### Step 3: Calculate Gap Discount

Calculated Gap Discount = Discount Eligible Cost \* 0.5

Please submit questions regarding these changes to [PDEJan2011@cms.hhs.gov](mailto:PDEJan2011@cms.hhs.gov).