

SilverStone Group

EMPLOYEE BENEFITS

Post-Retirement Benefits



Time to Reconcile

Medicare Part D Retiree Drug Subsidy

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Since 2006, plan sponsors of retiree health plans offering drug coverage for retirees—and who applied for the Medicare Part D Retiree Drug Subsidy (RDS)—may have received payments from the Centers for Medicare & Medicaid Services (CMS), a federal government agency. Payments are based on the plan sponsors' having submitted estimated Part D drug claims and rebate information. Receipt of RDS federal payments from CMS carries an obligation for plan sponsors to provide CMS with a final reconciliation of all eligibility, drug costs and rebate information. Now is the time for plan sponsors to submit the final reconciliation of RDS federal payments for the 2006 plan year.

Deadlines Extended

All plan sponsors who originally applied for the RDS for the 2006 plan year must complete the reconciliation process within 15 months of the plan year's end. The plan year is the period for which the plan sponsor filed the application. Originally, for a plan year coinciding with calendar year 2006, the reconciliation deadline would be March 31, 2008. However, CMS announced in March of this year that all plan sponsors

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with applications for plan years ending in 2006 would receive additional time and a new reconciliation deadline of June 30, 2008. This additional time applies to calendar- and non-calendar-year applications with plan years ending in 2006. Plan sponsors whose applications have plan years ending in the first quarter of 2007 (January, February and March) were also given additional time and new reconciliation deadlines of July 31, August 31 or September 30, 2008, respectively.

CMS has stated that if a plan sponsor received interim payments for these applications but failed to complete reconciliation by the deadline, the interim payments would be considered to be overpayments and CMS will request

immediate reimbursement. Additionally, plan sponsors who fail to complete reconciliation by the deadline and have not received interim payments will not be eligible for any subsidy on those applications.

Prepare to Reconcile

Regulations for Title I and Title II of the Medicare Prescription Drug, Improvement, and Modernization Act of 2003 require plan sponsors to submit the final gross retiree drug costs and drug rebates for all qualified, covered retirees to CMS for reconciliation. Reconciliation is necessary to verify that the list of qualifying covered retirees is accurate and that the final drug costs and rebate values are complete. Reconciliation will be completed via the RDS website at <http://rds.cms.hhs.gov>. Plan sponsors should have started, or are advised to immediately begin to prepare for reconciliation by taking the following steps:

- Review the qualifying retiree lists reported by the RDS website and determine if they match the list reported by the plan sponsor. Contact the RDS center if the lists do not match and begin to reconcile any differences.
- Contact the Pharmacy Benefit Manager (PBM) or insurance carrier and confirm that someone will be available to provide claims reporting necessary for reconciliation. If final reports are to be sent directly to the RDS website, meet with the PBM/insurance carrier to determine when the final reconciliation reports will be available.
- Review with the PBM/insurance carrier to ensure that the reported claims costs and rebates will only include those eligible for the subsidy (i.e., those which could be payable under a Medicare Part D plan).
- Verify that the prior PBM/insurance carrier will make all necessary information available to the plan sponsor if changes in the PBM/insurance carrier occurred after the application was submitted.
- Make sure that any changes in Authorized Representative, Account Manager or Designee roles associated with the application are accounted for in the RDS website.

Plan sponsors should begin preparations for the reconciliation process as soon as possible. Reconciliation will probably involve multiple parties, and is likely to require a great investment of time by the plan sponsor. CMS intends to audit plan sponsors who receive RDS payments. Compliance with reconciliation is likely to be a factor in those audits and by beginning the reconciliation process early, you can help ensure that reconciliation will progress smoothly and effectively.