



CENTER FOR BENEFICIARY CHOICES

---

MEMORANDUM

DATE: February 28, 2007

TO: All Prescription Drug Plan (PDP) Sponsors, Medicare Advantage Organizations and Section 1876 Cost Plan Sponsors Offering Part D Employer/Union-Only Group Waiver Plans (EGWPs)

FROM: Brenda J. Tranchida  
Director  
Employer Policy and Operations Group

SUBJECT: 2008 Employer Group Waiver Policy – Elimination of the Requirement for Entities Offering EGWPs to Submit Part D Bids

CMS has authority under sections 1857(i) and 1860D-22(b) of the Social Security Act to waive or modify requirements that hinder the design of, the offering of, or the enrollment in employment-based Medicare plans offered by employers and unions to their members.

For the 2008 contract year, Part D entities that offer employer/union-only group waiver plans (EGWPs) will not be required to submit Part D bids. This 2008 waiver policy applies to PDP Sponsors, MAOs and Cost Plan Sponsors offering Part D (i.e., “800 series”) EGWPs and employers/unions that directly contract with CMS to offer Part D benefits to their retirees (“Direct Contract” EGWPs).

In accordance with waiver policy issued for the 2006 and 2007 contract years, all Part D entities offering employer/union-only group waiver plans were allowed to submit Part D bids in a manner similar to the flexible method offered to MA Organizations in the past. Under this approach, CMS required these Part D entities to submit bids only for defined standard Part D coverage. These entities did not submit separate bids for each employer/union benefit design variation. Any supplemental prescription drug coverage was provided separately pursuant to a private agreement between the Part D entity and the employer/union. *See* April 6, 2005, Employer/Union-Only Group Waiver Guidance. These bids were not included in the calculation of the 2006 or 2007 Part D national average monthly bid amount and the regional low-income benchmark premium amounts. Also, the following waiver policies apply to payments to EGWPs: monthly Part D risk adjusted direct subsidy payments are based on the national average monthly bid amount rather than on the bid submitted; monthly low-income premium subsidy payments are based on the national base beneficiary premium rather than on the bid submitted; reinsurance payments are paid retrospectively during the year-end reconciliation process (vs. prospectively); and risk-sharing payments are not available.

CMS believes that waiving the requirement to submit 2008 Part D bids will facilitate the offering of plans for employers and unions seeking to retain high quality coverage for their Medicare eligible retirees by avoiding the cost and administrative burden of submitting these bids. Also, as stated above, Part D EGWP bids are not used in the calculation of the national average monthly bid amount and regional low-income benchmark premium amounts or to determine payments to these entities (except for interim prospective low-income cost sharing (LICS) payments which are derived from the bid submitted). Therefore, this waiver will not affect benchmarks or payments to these entities. As a condition of providing this waiver, CMS will modify the manner in which the LICS amounts are paid. CMS will not make a prospective payment for the LICS amounts, but instead will make such payments during the normal year-end reconciliation process.

Notwithstanding the elimination of the requirement to submit Part D bids, entities offering these plans will continue to have to meet all CMS requirements that are not otherwise waived or modified. Also, all other existing policies will continue to apply to Part D entities offering these plans, including the existing waiver policies related to payment mentioned above. Further details concerning any HPMS operational requirements associated with the implementation of this waiver will be outlined in the 2008 Bid Pricing Tool (BPT) and Plan Benefit Package (PBP) instructions.

If there are any questions about this policy, please contact Brenda Tranchida, Director, Employer Policy and Operations Group, via phone (410-786-2001) or via email at [Brenda.Tranchida@cms.hhs.gov](mailto:Brenda.Tranchida@cms.hhs.gov).