



MEDICARE PLAN PAYMENT GROUP

TO: All Part D Plan Sponsors and Interested Parties

FROM: Cheri Rice, Director
Medicare Plan Payment Group

SUBJECT: Direct and Indirect Remuneration and Pharmacy Price Concessions

DATE: November 5, 2014

On September 29, 2014, CMS solicited comments on reporting Direct and Indirect Remuneration data for pharmacy price concessions for contract year 2016 and future years.

Beginning with contract year 2016, Part D sponsors must include in amounts reported as negotiated prices all pharmacy price concessions from network pharmacies and additional contingent amounts that can reasonably be determined at the point-of-sale. In the memorandum issued on September 29th, we indicated that the category of price concessions and additional amounts that can be reasonably determined at the point-of-sale should include amounts that can reasonably be approximated at the point-of-sale. We solicited comment on this issue, and we also requested that commenters provide examples of price concessions that they believe should be excluded from negotiated price reporting.

Comments related to this memorandum were due on October 17, 2014. Several commenters raised the concern that reporting amounts that can be reasonably approximated at the point-of-sale would result in very few exemptions from negotiated price reporting. These commenters suggested that virtually all price concessions can be approximated to some degree at the point-of-sale and therefore CMS would effectively eliminate the regulatory exemption from negotiated price reporting for any price concessions. Some commenters also noted that many Part D sponsors are currently finalizing their pharmacy agreements for 2016 and any CMS guidance related to reporting of pharmacy price concessions should be finalized as soon as possible.

We did not intend to eliminate the regulatory exemption from negotiated price reporting. After consideration of these comments and to provide time to fully assess the various payment arrangements that Part D sponsors have with pharmacies, we have determined that, for 2016, we are not finalizing any guidance proposed in our September 29th memorandum. For contract year 2016, therefore, Part D sponsors will evaluate what can be reasonably determined at the point of sale and include those amounts in the negotiated price. Amounts that cannot be reasonably determined at the point-of-sale will be reported as Direct and Indirect Remuneration.

In order to develop guidance for 2017 and future years, CMS will evaluate which types of pharmacy price concessions and incentive payments can and cannot be reasonably determined at the point of sale. To assist with this evaluation, we are soliciting comment on the specific examples of types of pharmacy price concessions and incentive payments that commenters believe can and cannot reasonably be determined at the point of sale.

CMS will accept comments until January 31, 2015. Comments or questions may be submitted electronically to DIR_Reporting_Reqs@cms.hhs.gov or mailed to:

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