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RECONCILIATION OVERPAYMENT

OUTDATED RX REBATE ESTIMATES ARE LEADING TO OVERPAYMENT

Common reasons for overpayment & what to look out for/ p 1



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STOP BY BOOTH 309 & ENTER FOR A CHANCE TO WIN!

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DEADLINES

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Reconciliation Overpayment

Outdated Rx Rebate Estimates Are Leading Many Plan Sponsors to Owe Significant Overpayments Back to CMS at Final Reconciliation

Estimating Rebates

As part of the Retiree Drug Subsidy (RDS) program, plan sponsors submit interim payment requests throughout the plan year. One of the most often overlooked aspects of these interim payment requests is that these are **estimates** of the subsidy owed to the plan sponsor and they must be “trued up” at final reconciliation. If a plan sponsor or their vendor is not careful with their interim payment calculations, they will find themselves in an overpayment situation when final reconciliation comes around. When this occurs, CMS requires repayment immediately.

One of the most common reasons for an overpayment is due to underestimating the cost adjustment amount during interim payment requests. The cost adjustment amount is calculated by taking the total amount of rebates paid to the plan sponsor during the plan year and dividing it by the total claims paid during the plan year by the members and the plan. While this figure is relatively easy to figure out at final reconciliation after the plan year has ended, it can be difficult to estimate for interim payments as rebate amounts can fluctuate greatly from year to year. In fact, according to the most recent Medicare Trustees report, rebates are expected to rise to as much as 31.1% for plan year 2022 . With many plan sponsors estimating their rebates to be closer to 10 or 15% when calculating their interim payment requests, it’s obvious why they find themselves in an overpayment situation with CMS during final reconciliation.

¹Yellen, Janet, et al. Washington, D.C., 2021, pp. 149–151, *The 2021 Annual Report of The Boards of Trustees Federal Hospital Insurance and Federal Supplementary Medical Insurance Trust Funds*.

Payment Request Calculation Example

In its simplest form, the calculation for a subsidy payment is the following:

$$\text{Gross Retiree Costs} \times \frac{\text{Part D Eligible Drugs for Eligible Members}}{\text{Total Claims Paid}} - \text{Cost Threshold Amount} - \text{Cost Limit Amount} = \text{Gross Eligible Costs}$$

$$\text{Gross Eligible Costs} - \text{Cost Adjustment} \times \frac{\text{Total Rebates}}{\text{Total Claims Paid}} = \text{Allowable Retiree Cost}$$

$$\text{Allowable Retiree Cost} \times 28\% = \text{Subsidy Payment}$$

The following is a fictional example of ABC Corporation to demonstrate how easily a simple underestimation can lead to a plan sponsor owing subsidy back to CMS at final reconciliation.

Table 1 shows the totals of all the interim cost reports submitted for subsidy ABC Corporation throughout 2019, resulting in a total subsidy amount for the year of just over \$229,000. In order to generate this cost report ABC Corporation and their vendors used a 15% rebate percentage, because that was total rebate percentage in the previous final cost report for 2018. Makes sense.

TABLE 1

Month	Gross Retiree Cost	Cost Threshold	Cost Limit	Gross Eligible Costs	Cost Adjustment (total rebates/total paid by plan & members)	Allowable Retiree Costs	Interim Subsidy Payment
01/2019	\$ 100,000	\$ 50,000	\$ -	\$ 50,000	\$ 7,500	\$ 42,500	\$ 11,900
02/2019	\$ 110,000	\$ 45,000	\$ 10,000	\$ 55,000	\$ 8,250	\$ 46,750	\$ 13,090
03/2019	\$ 120,000	\$ 40,000	\$ 15,000	\$ 65,000	\$ 9,750	\$ 55,250	\$ 15,470
04/2019	\$ 130,000	\$ 65,000	\$ 20,000	\$ 45,000	\$ 6,750	\$ 38,250	\$ 10,710
05/2019	\$ 140,000	\$ 35,000	\$ 25,000	\$ 80,000	\$ 12,000	\$ 68,000	\$ 19,040
06/2019	\$ 150,000	\$ 30,000	\$ 30,000	\$ 90,000	\$ 13,500	\$ 76,500	\$ 21,420
07/2019	\$ 160,000	\$ 80,000	\$ 35,000	\$ 45,000	\$ 6,750	\$ 38,250	\$ 10,710
08/2019	\$ 170,000	\$ 25,000	\$ 40,000	\$ 105,000	\$ 15,750	\$ 89,250	\$ 24,990
09/2019	\$ 180,000	\$ 20,000	\$ 45,000	\$ 115,000	\$ 17,250	\$ 97,750	\$ 27,370
10/2019	\$ 190,000	\$ 95,000	\$ 50,000	\$ 45,000	\$ 6,750	\$ 38,250	\$ 10,710
11/2019	\$ 200,000	\$ 15,000	\$ 55,000	\$ 130,000	\$ 19,500	\$ 110,500	\$ 30,940
12/2019	\$ 210,000	\$ 10,000	\$ 60,000	\$ 140,000	\$ 21,000	\$ 119,000	\$ 33,320
TOTAL							\$ 229,670

However, changes in the PBM marketplace have resulted in a continued trend of increasing rebate payments. As is frequently the case, this increase has the effect of doubling their rebate percentage for their final reconciliation, which we see here in Table 2.

TABLE 2

Month	Gross Retiree Cost	Cost Threshold	Cost Limit	Gross Eligible Costs	Cost Adjustment (total rebates/total paid by plan & members)	Allowable Retiree Costs	Interim Subsidy Payment
01/2019	\$ 100,000	\$ 50,000	\$ -	\$ 50,000	\$ 15,000	\$ 35,000	\$ 9,800
02/2019	\$ 110,000	\$ 45,000	\$ 10,000	\$ 55,000	\$ 16,500	\$ 38,500	\$ 10,780
03/2019	\$ 120,000	\$ 40,000	\$ 15,000	\$ 65,000	\$ 19,500	\$ 45,000	\$ 12,740
04/2019	\$ 130,000	\$ 65,000	\$ 20,000	\$ 45,000	\$ 13,500	\$ 31,500	\$ 8,820
05/2019	\$ 140,000	\$ 35,000	\$ 25,000	\$ 80,000	\$ 24,000	\$ 56,000	\$ 15,680
06/2019	\$ 150,000	\$ 30,000	\$ 30,000	\$ 90,000	\$ 27,000	\$ 63,000	\$ 17,640
07/2019	\$ 160,000	\$ 80,000	\$ 35,000	\$ 45,000	\$ 13,500	\$ 31,500	\$ 8,820
08/2019	\$ 170,000	\$ 25,000	\$ 40,000	\$ 105,000	\$ 31,500	\$ 73,500	\$ 20,580
09/2019	\$ 180,000	\$ 20,000	\$ 45,000	\$ 115,000	\$ 34,500	\$ 80,500	\$ 22,540
10/2019	\$ 190,000	\$ 95,000	\$ 50,000	\$ 45,000	\$ 13,500	\$ 31,500	\$ 8,820
11/2019	\$ 200,000	\$ 15,000	\$ 55,000	\$ 130,000	\$ 39,000	\$ 91,000	\$ 25,480
12/2019	\$ 210,000	\$ 10,000	\$ 60,000	\$ 140,000	\$ 42,000	\$ 98,000	\$ 27,440
TOTAL							\$ 189,140

Because of this, ABC Corporation now owes \$40,530 (\$229,670 - \$189,140 = \$40,530) to the RDS at final reconciliation to cover the amount of their over collection throughout the year. Once final reconciliation is finished, CMS will immediately issue a demand letter for the amount of overpaid subsidies. If the plan sponsor does not repay, CMS will begin to deduct the amount owed from future subsidy payment requests until the debt is settled.

Avoiding Overpayment

There are few ways plan sponsors can avoid finding themselves in an overpayment situation at final reconciliation, each with their own pros and cons. Opting to collect subsidy only at reconciliation minimizes the risk of an overpayment, however, it completely deprives the plan of its regular RDS funding during the year. Limiting interim payments allows the plan a subsidy “cushion” at final reconciliation but it too unnecessarily limits the subsidy funding during the year. Our experience has shown that, for plan sponsors who wish to maximize their interim subsidy throughout the year without risking an overpayment, the best option is to make a conservative estimate of rebates and request a full year of interim subsidy. When Plans base their rebate projection on the observed trend from prior years and a thorough review of their current PBM contracts and plan design, they will be able to collect the majority of their subsidy during the year and still receive an extra subsidy payment at reconciliation.

Summary

In recent years the RDS has stepped up its monitoring of plan sponsors’ rebate estimations and expects that RDS program participants will review updated guidance and remain in compliance. Indeed, the need to regularly review the interim estimated cost adjustments will become more and more important as the average rebates paid to Plans continues to increase in years to come. The bottom line is that plan sponsors and their vendors need to be aware of the potential impacts of cost adjustment calculations on their subsidy collection and choose a strategy that works best for them.

PDA to Launch **NEW** Redesigned Portal for Dependent Eligibility Customers

We are happy to announce that our portal is getting a brand new look! All of the same functionality, as well as some new features will be added. These changes were made in an effort to further improve ease of use and make it as simple as possible to upload and verify your eligibility status. We can't wait to launch, so keep your eyes peeled for the new and improved look!



COMING SOON!

Welcome! Thank you for visiting our secure site for Eligibility Verification. Once you have registered, you will be able to use this site to upload all your verification documents as well as view your eligibility status.

Select Language ▼

First Time Here?



CLICK HERE TO REGISTER

OR

Already Registered?



CLICK HERE TO LOG IN

AS PART OF OUR ONGOING SECURITY PROTOCOL, OUR PUBLIC-FACING WEB UPLOAD PORTAL WILL UNDERGO SCHEDULED SYSTEM MAINTENANCE THE FIRST WEEKEND OF EACH MONTH BETWEEN 8:00AM AND 12:00 NOON (EASTERN), SATURDAY AND SUNDAY. DURING THAT TIME, USERS MAY BE UNABLE TO LOG IN. **PLEASE NOTE:** THE SYSTEM MAY BE UNAVAILABLE FOR THE ENTIRE 4 HOUR PERIOD.

[Privacy Policy](#)

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Changes to the Suspension of Sequestration for the Retiree Drug Subsidy Program Take Effect on April 1st²

Back on December 10th, 2021 the [Protecting Medicare and American Farmers from Sequester Cuts Act](#) was put into effect. This extended the ending date of the sequestration period to provide full relief from the 2% payment reduction from December 31, 2021 - March 31, 2022.

This is a reminder that this sequestration suspension period will end on March 31, 2022. A 1% mandatory payment reduction will be applied to the calculated Subsidy Amounts for final costs incurred in all plan months between April 1, 2022 and June 30, 2022.

The 2% mandatory payment reduction will continue to be applied in all plan months prior to May 1, 2022, and in all plan months after June 30, 2022, through the first day of Fiscal Year 2030. A 2.25% mandatory payment reduction will be applied in all plan months occurring in the first six months of Fiscal Year 2030. A 3% mandatory payment reduction will be applied in all plan months occurring in the final six months of Fiscal Year 2030.

For additional details, you can refer to the original announcement from December 21 ,2021 [HERE](#).

Protect Your Subsidy | Ensure Your RDS User Account & MFA are Active³

To avoid missed program deadlines and delayed subsidy payments, ensure that your RDS user accounts and Multi-Factor Authentication (MFA) are active and that you are able to access the RDS Secure Website tool today! Please encourage all users assigned to your RDS applications to log into the Secure Website as soon as possible, and well in advance of your deadline date(s).



Do not wait until the last minute! When a user enters Login information incorrectly (i.e. invalid Login ID, Password, and/or MFA Token), CMS' RDS Center is **prohibited** by Federal Security Regulations to identify which login requirements were entered incorrectly. If your user account becomes locked after 3 consecutive failed login attempts, you will be forced to change your password. **REMINDER: A password can only be changed ONCE in a 24-hour period.**

CMS' RDS Center recommends resetting MFA for your mobile device **before** attempting to log in with a new password and **before** using all 3 of your login attempts. CMS' RDS Center **cannot** circumvent the Federal Security Regulations enforcing password requirements.

Due to these security restrictions, the 24 hours IMMEDIATELY PRECEDING a deadline can be very difficult to obtain remediation regarding account login issues, potentially resulting in a missed deadline and possible loss of subsidy.

CMS' RDS Center's official means of communication to the Plan Sponsor is through email. If you need assistance logging into the RDS Secure Website, contact CMS' RDS Center for support. DO NOT include any Protected Health Information (PHI), as defined in the

² "Changes to the Suspension of Sequestration for the Retiree Drug Subsidy Program Take Effect on April 1, 2022." RDS | CMS | HHS | GOV, <https://www.rds.cms.hhs.gov/?q=announcements%2Fchanges-suspension-sequestration-retiree-drug-subsidy-program-take-effect-april-1-2022>.

³ "Protect Your Subsidy: Ensure Your RDS User Account and MFA Are Active." RDS | CMS | HHS | GOV, <https://www.rds.cms.hhs.gov/?q=announcements%2Fprotect-your-subsidy-ensure-your-rds-user-account-and-mfa-are-active>.

The New RDS Website

Overview & Modernization Goals

As you may already know, the RDS will soon launch their new, modernized website, expected sometime in early 2022. The changes are designed to reflect years of feedback from users, such as Part D Advisors, which was collected via webinars, listening sessions, and usability testing sessions. RDS also used past support tickets and emails submitted by users to identify the biggest areas of concern for modernization, focused on solving common problems before they can happen.

Whenever a major program interface undergoes large changes like this there is sure to be some user disruption. PDA wants to be sure our clients and partners are prepared for this change and face no such interruption. Our account staff are dedicated and available to our customers to walk them through their actions on the RDS website, especially as critical program deadlines loom near in the future.

To learn more about this change, we've included some notes and screenshots of the highlights below. Additionally, the full webinar can be viewed [here](#).

User Benefits

- The interface was designed to be more intuitive for the user with easier navigation tools and more efficient task progression.
- Many of the steps have been consolidated or eliminated to better streamline the process for users. This includes a reduction in the number of steps for the application process, payment setup, and the final reconciliation process.
- Page language and instructions have been rewritten to be more concise and easier to understand, with a focus on increasing the relevancy to the page the user is on.
- Page actions are now clearer making it more obvious to users what the current and next steps of the process are.
- Many of the redundant confirmation and verification screens have been consolidated or eliminated so that users can avoid confirming the same information two or three times before being able to move forward.

Procedural Changes

- Payment frequency is set to default to monthly. This was first announced in May of 2020.
- The website will always be copied on response files, regardless of how it is submitted or who submits it.
- The Authorized Representative will no longer have to submit security questions to submit an application.
- When submitting a support request, the system will automatically recommend an answer that will hopefully allow for users to avoid a long wait for a response from the RDS center.

User Interface Updates

Designees can now be deleted from all applications at once with just one action (Figure 1).

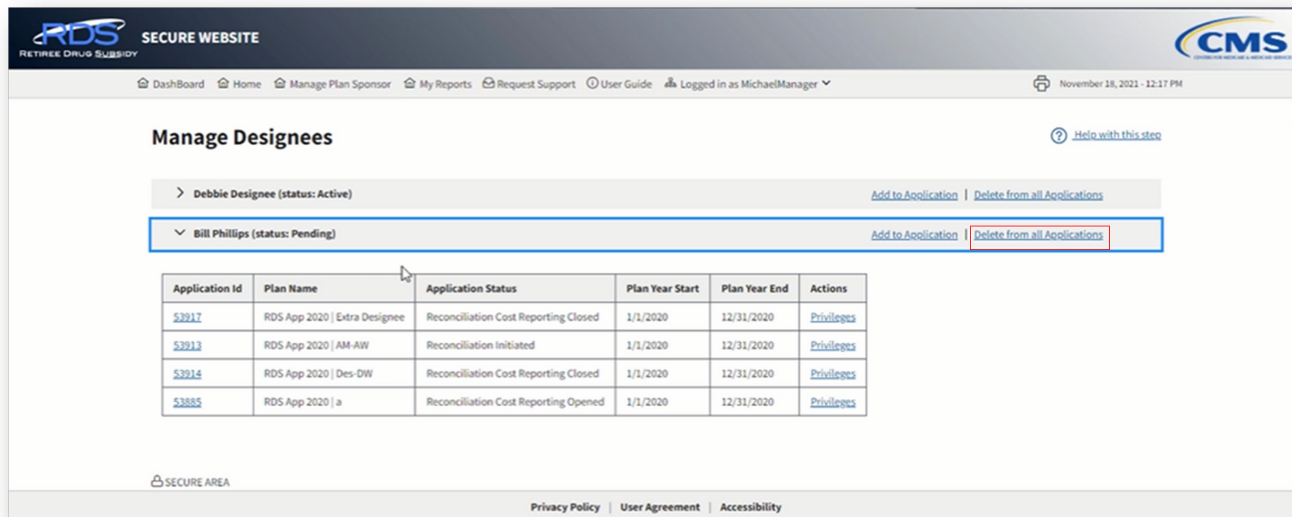


FIGURE 1

Applications can be renamed at any time (Figure 2).

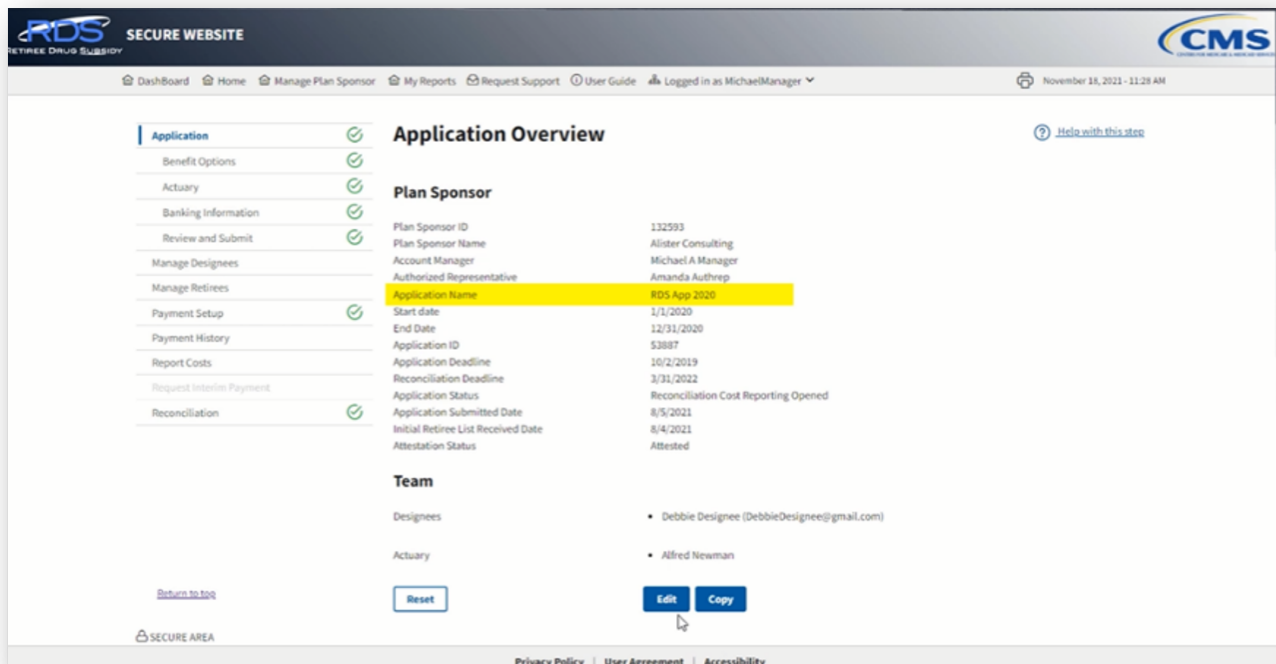


FIGURE 2

Application deadline extensions are now easier and faster to request. This information can be found right next to the application deadline in the summary section of the application overview (Figure 3).

Application Overview

Plan Sponsor

Plan Sponsor ID	132593
Plan Sponsor Name	Alister Consulting
Account Manager	Michael A Manager
Authorized Representative	Amanda Authrep
Application Name	2024 RDS Application
Start date	1/1/2024
End Date	12/31/2024
Application ID	54008
Application Deadline	10/2/2023 Request a deadline extension
Reconciliation Deadline	3/31/2026
Application Status	Incomplete
Application Submitted Date	Not Submitted
Initial Retiree List Received Date	Not Received
Attestation Status	Not Attested

Team

Designees: No Designees Assigned.

Actuary: No Actuary Assigned.

[Reset](#) [Edit](#) [Copy](#)

FIGURE 3

- Information is now grouped in a more intuitive way. For example, information about the individuals assigned to a specific application is now listed all together on the Application Overview page.
- New applications created under the same plan sponsor will automatically list all previous banking information so users can avoid reentering the same information year after year.
- New applications created under the same plan sponsor will automatically list all previous Designee information so users can avoid reentering the same information year after year.
- There is now the option to copy previous applications and use the information from that application as the base for the new application (Figure 4). Although the information can be edited by the user if desired, this feature will automatically populate information such as:

- Banking Information
- Actuary Information
- Plan Year Start & End Dates
- Benefit Option Configurations
- Designees

Copy Application

Create a new Application duplicating a previous one.

Plan Sponsor

Plan Sponsor ID	132593
Plan Sponsor Name	Alister Consulting
Account Manager	Michael A Manager
Authorized Representative	Amanda Authrep

Application

Application Name:

Start Date: Month Day Year

End Date: Month Day Year

[Return to top](#) [Cancel](#) [Save](#)

FIGURE 4

- The updated application dashboard allows for users to sort any of the columns to change their view. You can also sort by applications that are In Progress, Completed, or Archived (figure 5).
- The Covered Retiree List can now be requested and downloaded on the same page of the website.

Dashboard

[In Progress](#) | [Completed](#) | [Archived](#)

Applications in progress

Application ID ↑↓	Plan Name ↑↓	Plan Sponsor ↑↓	Status ↑↓	Plan Year ↑↓	Total Paid ↑↓	Application Deadline ↑↓	Reconciliation Deadline ↑↓	Actions
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	
53893	RDS App 2020 i	Alister Consulting (132593)	Approved	Jan 1, 2020 - Dec 31, 2020	\$0.00	Oct 2, 2019	Mar 31, 2022	- Select Action <input type="button" value="Go"/>
53894	RDS App 2020 j	Alister Consulting (132593)	Approved	Jan 1, 2020 - Dec 31, 2020	\$0.00	Oct 2, 2019	Mar 31, 2022	- Select Action <input type="button" value="Go"/>
53895	RDS App 2020 k	Alister Consulting (132593)	Approved	Jan 1, 2020 - Dec 31, 2020	\$0.00	Oct 2, 2019	Mar 31, 2022	- Select Action <input type="button" value="Go"/>
53896	Test App	Alister Consulting (132593)	Reconciliation Cost Reporting Closed	Jan 1, 2020 - Dec 31, 2020	\$199,969.00	Oct 2, 2019	Mar 31, 2022	- Select Action <input type="button" value="Go"/>
53897	RDS App 2020 m	Alister Consulting (132593)	Reconciliation Cost Reporting Closed	Jan 1, 2020 - Dec 31, 2020	\$222,216.40	Oct 2, 2019	Mar 31, 2022	- Select Action <input type="button" value="Go"/>

FIGURE 5

Resources

An updated user guide and FAQs document will be made available along with the launch of the website. They will be available on the RDS website for download.

The value of PDA's Ongoing and Reopening Retiree Drug Subsidy services for plan sponsors is second to none.



VISIT BOOTH #309 AT NABTU YOU COULD BE A WINNER



Come see Part D Advisors at the 2022 North America's Building Trades Unions Legislative Conference at the Washington Hilton Hotel in Washington D.C. from April 3-5, 2022. Visit us at **Booth 309** and enter for a **chance to win a custom Shinola Watch or a Tom Brady Autographed Football!**

Upcoming RDS Deadlines

Reconciliations

(plan year end | recon. due date)

01/2021 | 05/02/2022

02/2021 | 05/31/2022

03/2021 | 06/30/2022

Applications

(plan year start | app. due date | w/ 30-day ext.)

07/01/2022 | 04/01/2022 | 05/02/2022

08/01/2022 | 05/02/2022 | 06/01/2022

09/01/2022 | 06/02/2022 | 07/05/2022

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