



I've Applied for the Retiree Drug Subsidy, Now What?

Thursday, May 25, 2006

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Today You Will Learn

- How do I minimize liability risk as an RDS participant?
- How do I accurately claim CMS reimbursement?
- What can I do to streamline RDS administrative oversight and reporting?
- How do I help ensure that I am prepared in the event of an audit?
- What would happen if I changed Pharmacy Benefit Managers?

Six Challenges to Employers with RDS

- Liability for false claims
- Confusion due to federal rules
- Complexity – eligibility, claims, rebates, reconciliation
- Lack of automated solution
- Idiosyncrasies of Federal Medicare Administration
- Seven-year window for audits



What Are the Risks Associated with RDS?



Compliance Risk

- By accepting the RDS payment, employers subject themselves to Federal oversight and potential penalties under the Federal False Claims Act and the Medicare Fraud and Abuse rules
- The RDS application included ...

“I, the undersigned Authorized Representative, declare that I have examined this Application and the Plan Sponsor Agreement and certify that that the information contained in this Application is true, accurate and complete . . . and that I agree to comply with all RDS Program requirements . . . I understand that because payment of a subsidy will be made from Federal funds, any false statement, documents, or concealment of a material fact is subject to prosecution under any Federal or state law.”

Compliance Risk

How are Plans Vulnerable Under the RDS Program?

- Plan Qualifications
 - Actuarial attestation
 - Creditable coverage notices
- Ineligible members
- Exclusions from Medicare coverage
- Exclusions covered by Medicare Part B
- Adjustments/offsets for rebates and other concessions

Compliance Risk Penalty Risk - Illustration

Medicare RDS eligibles	Medicare RDS claims	Medicare RDS claim error range	Penalty range based on error rate*	Expected Medicare RDS subsidy
1,000	20,000	0.5 – 3.0%	\$1.0 – 6.0m	\$0.65 – 0.7m
2,000	40,000	0.5 – 3.0%	\$2.2 – 13.2m	\$1.3 – 1.4m
5,000	100,000	0.5 – 3.0%	\$5.5 – 33.0m	\$3.25 – 3.5m
10,000	200,000	0.5 – 3.0%	\$11.0 – 66.0m	\$6.5 – 7.0m

*Maximum penalty \$11,000 per claim

Financial Risk

Can You Discern Medicare Part B from Part D?

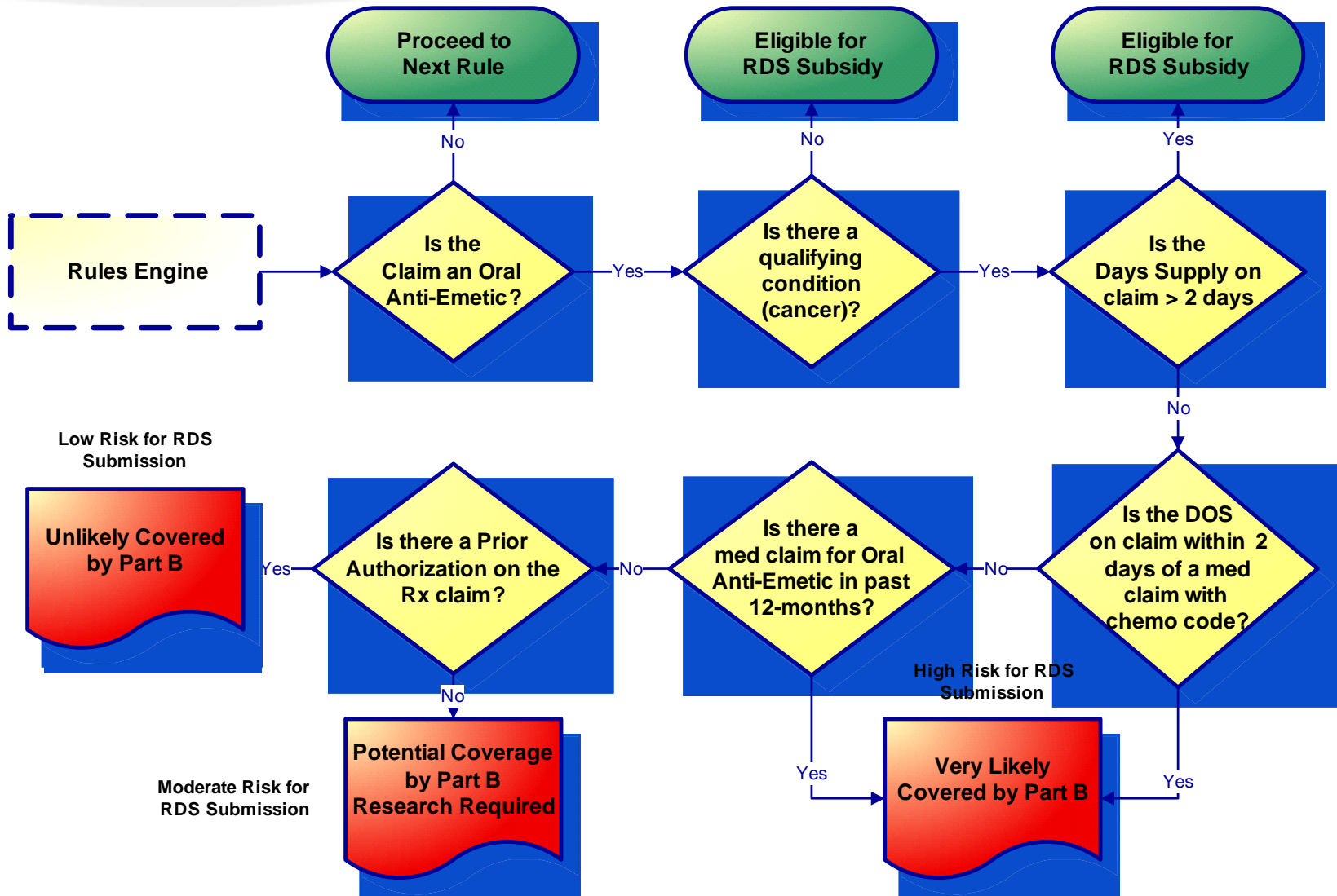
- Federal rules create confusion in coverage
- Coverage by Part B or Part D is situational based on:
 - Diagnosis
 - Method of administration
 - Timing of service or administration
- Lack of required data to make determination when drug is dispensed
- Division of responsibility between pharmacy administrators and medical administrators

Financial Risk

Are You Maximizing Your Medicare Subsidies?

- Estimate of 5 – 10% of drug claims are “risky” and should be reviewed prior to RDS claims submission
- **Key issue:**
 - Medicare Part B reimburses at 80%
 - Medicare RDS reimburses at 28%
- Cost reporters may recommend *not* submitting “risky” claims to Part B or RDS for recovery, reducing employers’ Medicare reimbursement

Medicare B vs. D Analysis



How Do Employers Protect Themselves?

Compliance

**Data
Storage**

Audit

Reconciliation



How Do Employers Protect Themselves?

- Exercise prudent practices when doing business with Medicare by undertaking proper due diligence to ensure accuracy of RDS claims submission
- For employers enrolled in RDS, “prudent practice” means:
 - Compliance plan for RDS
 - Risk assessment reconciliation of each member’s records
 - Corrective action on RDS claims submitted erroneously
 - Adequately trained staff

Who is Helping the Employer Population?

- PBMs
- Data aggregators
- Audit firms
- CMS eligibility vendors
- Consulting firms

Are the vendors working together cohesively?

What is CARDS™?

- CARDS stands for:

Compliance

Audit (independent review)

Reconciliation and

Data **S**torage

- CARDS is a technology-based consulting tool which integrates compliance rules and technology to *help*:
 - Mitigate liability of employer from the financial consequences of false or erroneous claims
 - Recover Medicare payments that are underpaid
 - An employer meet requirements to secure subsidy payments

CARDS was developed by ACS partners Buck Consultants LLC and ACS Heritage specifically to help clients meet their RDS compliance needs.

Compliance Plan Development

Employers exercising prudent practice:

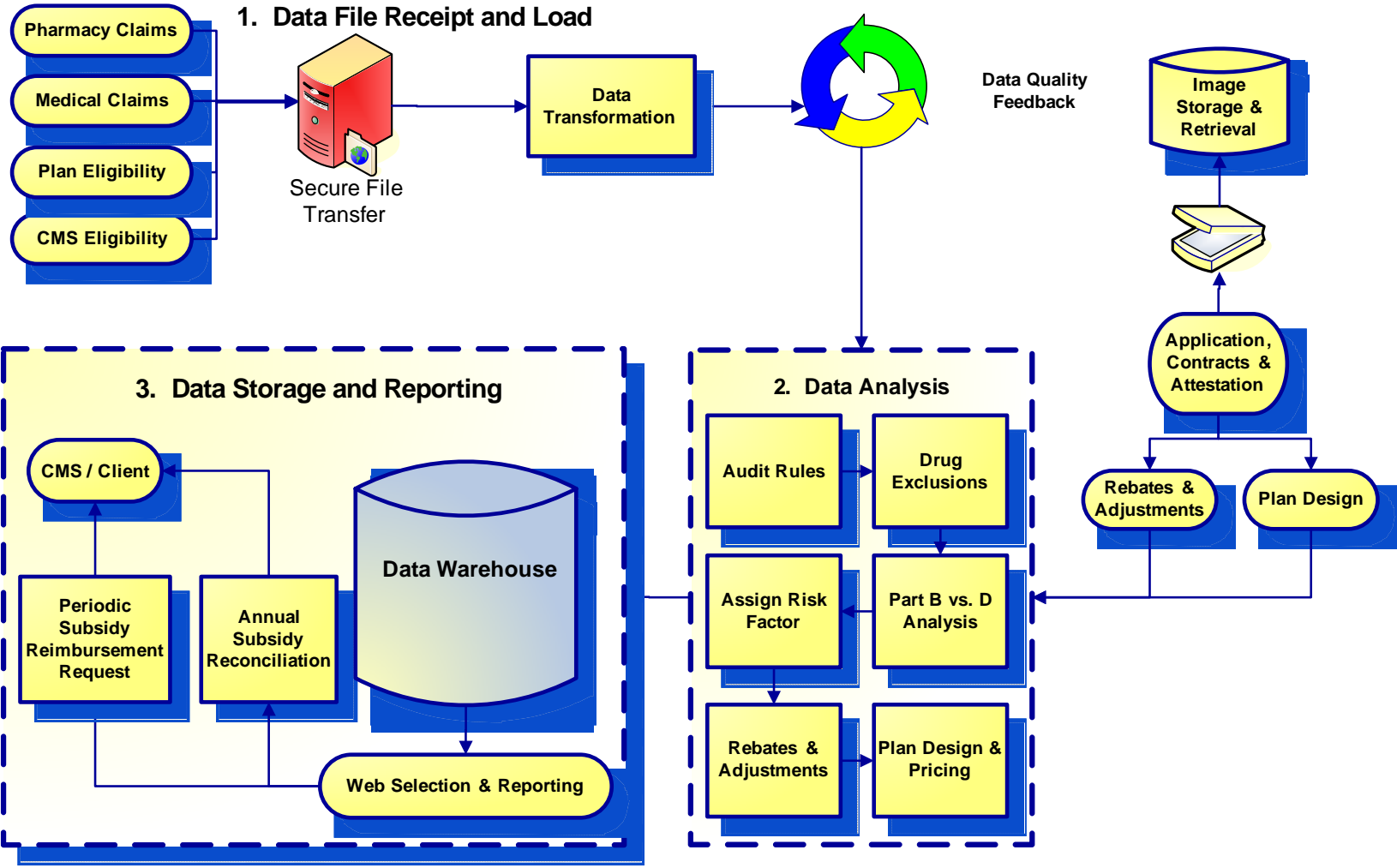
- Create a comprehensive compliance plan
- Review actuarial attestations
- Review notices of creditable coverage
- Coordinate with legal counsel
- Provide internal reporting and oversight support
- Provide training
- Store scanned documents, including attestation, filings, creditable coverage notices, etc.

Audit and Reconciliation – Claims Review Process

Recommended actions prior to subsidy request:

- Double check all plan design elements including coverage parameters
- Review and validate 100% of paid claims to ensure correct ingredient cost, dispensing fees and removal of administrative fees
- Provide risk assessment for each claim
- Do not submit “risky” claims if retiree has met the limit threshold
- Review remaining “risky” claims for potential submission
- Establish complete history of enrollment and confirm eligibility on date of service

Integrated Process Flow



Other Recommended Claim Reviews

- Duplicate payments identified
 - Identical
 - Probable
 - Potential
- Discount rates and dispensing fees
- Payments made for non-covered items
- Package size inconsistencies
- Quantity and days supply pricing issues
- Differential pricing/administration fees
- Rebates and adjustments

Financial Recovery: CARDS Case Study

- Preliminary results of a study for a large employer (30,000 Medicare lives):
 - 9% of all drug claims involved coverage of B versus D claims
 - None of these claims were paid by Medicare Part B, but were paid primary by the employer's health plan
 - At least \$3 - 4M per year appear to be recoverable claims under Part B, for example:
 - Medical claims paid by Medicare, but not drug claims
 - Durable Medical Equipment (DME)
 - End stage renal disease (ESRD)
 - CARDS can identify these opportunities and assist in the recovery

Recommended Reporting Capabilities

- CMS subsidy request summary
- Periodic comparison reports
- Claims summary by risk
 - Excluded claims
 - Low, moderate, and high risk claims
- Eligibility report (subsidy vs non-subsidy eligible)
- Medicare Part B potential recoveries
- Comprehensive final audit report
- Reports stored with documents in auditable format for 7 years

Sample Report – Executive Summary

Client ABC CARDS Program Executive Summary

Report: CARDS001

Report Run Date: 5/11/2006

Month	Subsidy Eligible Retirees	Retirees Met Thresh	Retirees Met Limit	Total Plan Claim Cost (\$)	Total Eligible Gross Claim Cost (\$)	Claim Cost Excluded (\$)	Claim Cost with Risk (\$)	Claim Cost Submitted (\$)	Requested Reimbursement Amount \$	% Plan Cost Requested
1/2006	5,546	1,468		\$954,584.58	\$1,138,948.71	\$33,583.91	\$85,620.68	\$415,718.08	\$116,401.06	12.19%
2/2006	5,566	1,200	2	\$957,092.89	\$1,140,121.06	\$35,370.05	\$98,917.18	\$739,024.92	\$206,926.98	21.62%
3/2006	5,624	663	4	\$834,701.22	\$998,660.33	\$30,367.02	\$82,128.36	\$762,998.21	\$213,639.50	25.59%
Total				\$2,746,378.69	\$3,277,730.10	\$99,320.98	\$266,666.22	\$1,917,741.21	\$536,967.54	19.55%
Ave	5,579	1,110	2	\$915,459.56	\$1,092,576.70	\$33,106.99	\$88,888.74	\$639,247.07	\$178,989.18	19.80%

Sample Report – Audit Exceptions Summary

Client ABC CARDS Program Claims Summary By Flag

Report:
CARDS008

Report Run
Date:
5/11/2006

Flag ID	Flag Description	Associated Flag Risk	# of Claims	Total \$	Retirees
8859	AUDIT: Daily Dose Above Average	Low	800	125674	459
8785	CARDS: Medicare D Excluded	Excluded	2926	97772.1	1397
8861	AUDIT: Quantity Issues Where Pack Size < 1	High	176	43375.9	18
8863	AUDIT: Quantity is not a Multiple of the Pack Size	High	17	4288.69	15
8786	CARDS: Covered by Medicare B	Excluded	69	2386.03	59
8865	AUDIT: Strength Entered as Quantity	High	1	44.93	1

Sample Report – High Risk Claims

Client ABC CARDS Program Medicare RDS High Risk Claims Summary				
Report: CARDS006		Run Date:		
Drug Name	GCN	Total # of Claims	Total Paid \$	Retirees
DOLASTERON 100MG TABLET ORAL	33533	9	5751.56	3
TACROLIMUS ANHYDROUS 1MG CAPSULE ORAL	28491	4	5736.98	2
MYCOPHENOLATE MOFETIL 500MG TABLET ORAL	47561	10	4681.87	6
LEVALBUTEROL HCL 1.25MG/3ML SOLUTION INHALATION	24541	4	862.43	4
IMMUNE GLOBULIN S/D 2.5GM VL W/S	43704	3	693.39	1
MENINGOCOCCAL VACCINE (MENOMUNE-A/C/Y/W-135 VIAL)	43980	7	647	7

Summary of Recommendations

Compliance

- Comprehensive Compliance Plan
- Actuarial Attestations Reviewed
- Notices of Creditable Coverage
- HIPAA Fraud and Abuse Authority
- Coordination with legal counsel
- Internal reporting and oversight support
- Training

Claims Audit

- Includes only Medicare-eligible individuals in the US
- Excludes retirees opting for alternative MA-PD or PDP
- Provides proper application of rebates
- Includes only RDS-allowed covered prescriptions
- Prevents claims for duplicative Part B drugs (confirms integration of medical TPA with PBM)
- 100% of claims validated

Data Storage

- Comprehensive, auditable data
- Provides system for documentation of necessary evidence to sustain audit of claims
- Easy to access & report
- Available for CMS review for required 7 years
- Guaranteed access, even with changes in PBM administrators

Checklist of Key Requirements for RDS Compliance

- Comprehensive compliance plan
- 100% claims review program *including* rebate analysis
- Part B eligibility identification
- RDS recovery and reconciliation
- Automated monitoring and reporting of results
- Long term storage of supporting documentation

Questions?



**Paul D. Kersting, CLU,
CEBS**

Principal, Regional H&W Practice Leader

770.916.4103

paul.kersting@buckconsultants.com



David Cunnold, MBA

*Director of Business Solutions
ACS Heritage*

770.551.3801

david.cunnold@acs-inc.com



Greg D. Whittle

Director, Health and Welfare

770.916.4194

greg.whittle@buckconsultants.com



Jerry Hercenberg

JD, MPA

Principal, Health and Welfare

240.535.5488

jjhercenberg@buckconsultants.com