



Slide 1

The slide content area has a light olive green background. It features a large white title, a subtitle, a horizontal line, a 'NEXT' button, and two logos at the bottom.

Interim Payments in the Retiree Drug Subsidy (RDS) Program

Module 1:
Compile Incurred Costs

NEXT →



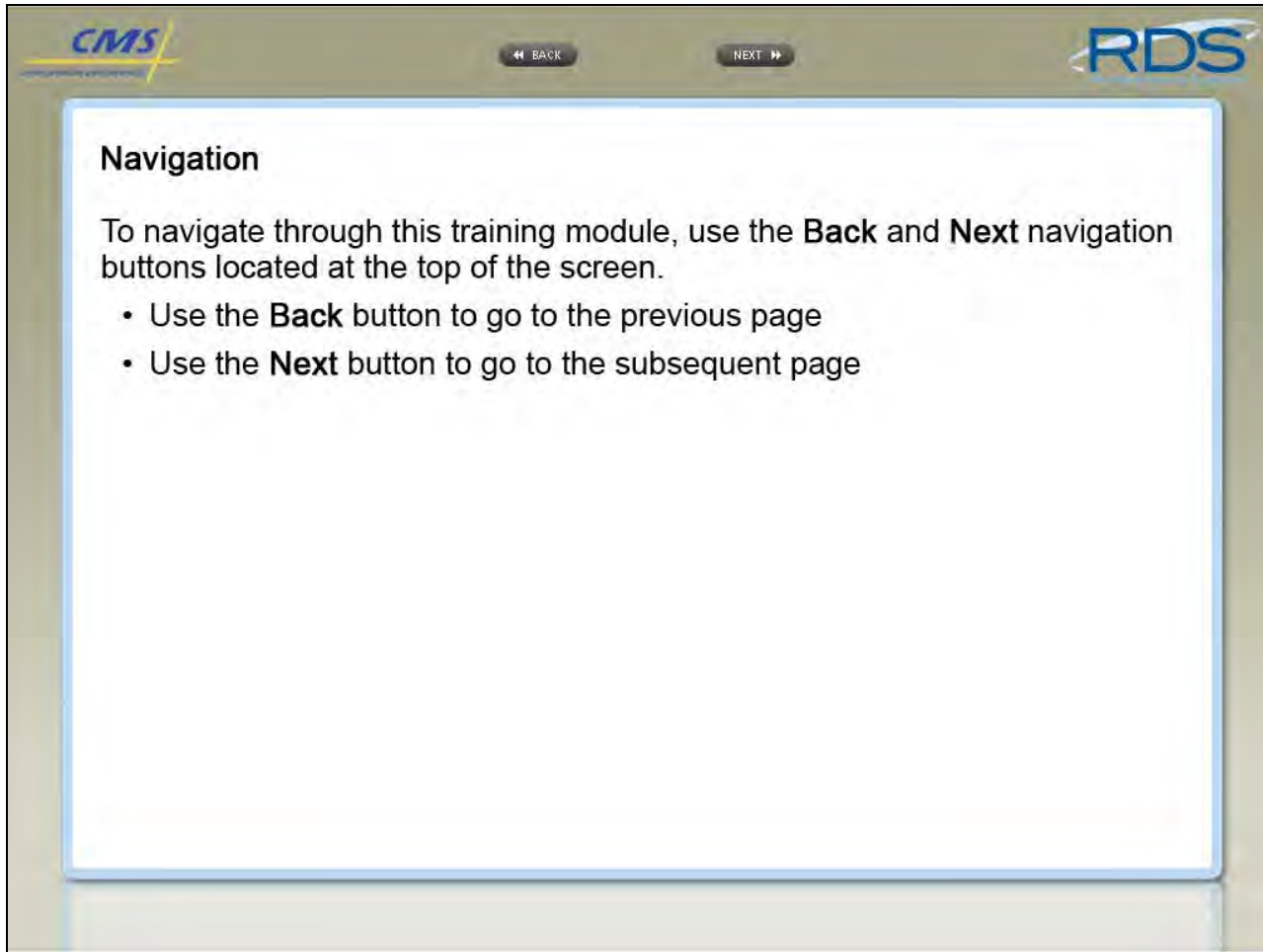
Slide notes

Interim Payments in the Retiree Drug Subsidy Program.

Module 1: Compile Incurred Costs.

Click the Next button to begin the training.

Slide 2



Slide notes

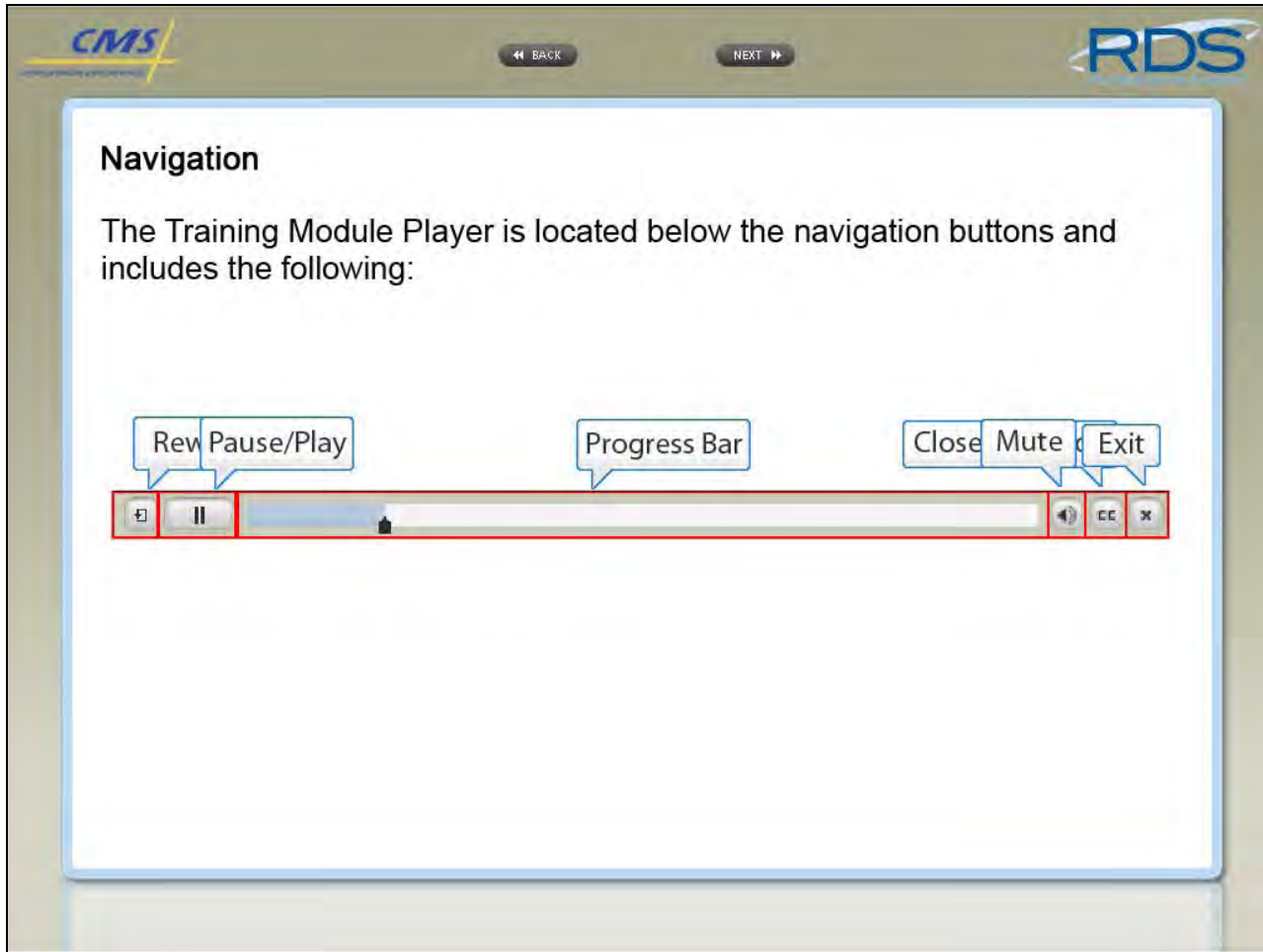
Navigation.

To navigate through this training module, use the Back and Next navigation buttons located at the top of the screen.

Use the Back button to go to the previous page.

Use the Next button to go to the subsequent page.

Slide 3



Slide notes

The Training Module Player is located below the navigation buttons and includes the following:

The Rewind button, which replays the course from the beginning;

The Pause or Play button, which pauses or continues the current page;

The Progress bar, which displays training progress and can be used to move through the pages of this training;

The Mute button, which turns the audio on or off;

The Closed Caption button, which displays the closed caption text;

And the Exit button, which terminates the training.

Slide 4

The slide features a header with the CMS logo on the left and the RDS logo on the right. In the center, there are two navigation buttons: 'BACK' with a left arrow and 'NEXT' with a right arrow. The main content area is titled 'Introduction' and is divided into two columns. The left column is headed 'Compile Costs for Tax Deductions' and lists three categories: 'Home Improvement Projects' (with a house icon), 'Education Expenses' (with a stack of books icon), and 'Charitable Contributions' (with a stack of gold coins icon). The right column is headed 'Compile Costs for RDS Subsidy' and lists three categories: 'Medicare Part D Drugs' (with a pill bottle icon), 'Qualifying Retirees' (with an icon of a man and a woman), and 'Benefit Option and Plan Month' (with a calendar icon).

Slide notes

Introduction. Each year around tax time, many Americans find themselves compiling data on incurred costs that are eligible for tax deductions, including home improvement projects, education expenses, and charitable contributions. In many ways, this is not much different from the Compile Incurred Costs stage of the Interim Payment Process.

Cost Preparers compile incurred costs of Medicare Part D drugs for Qualifying Covered Retirees by Benefit Option and Plan Month that are eligible for subsidy under the RDS Program. In this training module, you will learn about the Compile Incurred Costs stage of the Interim Payment Process and what you need to know as a Plan Sponsor or Vendor.

Slide 5

Objectives

After completing this training module, you will be able to:

- ✔ Describe the Compile Incurred Costs stage
- ✔ Define the role of Cost Preparers
- ✔ Define Gross Retiree Costs, Threshold Reduction, Limit Reduction, and Estimated Cost Adjustments
- ✔ Calculate Threshold Reduction and Limit Reduction
- ✔ Determine when to report Gross Retiree Costs vs. Estimated Premiums
- ✔ Describe the ramifications of not coordinating retiree costs
- ✔ Summarize how records should be maintained

Slide notes

Objectives

After completing this training module, you will be able to:

Describe the Compile Incurred Costs stage of the Interim Payment Process;

Define the role of Cost Preparers;

Define Gross Retiree Costs, Threshold Reduction, Limit Reduction, and Estimated Cost Adjustments;

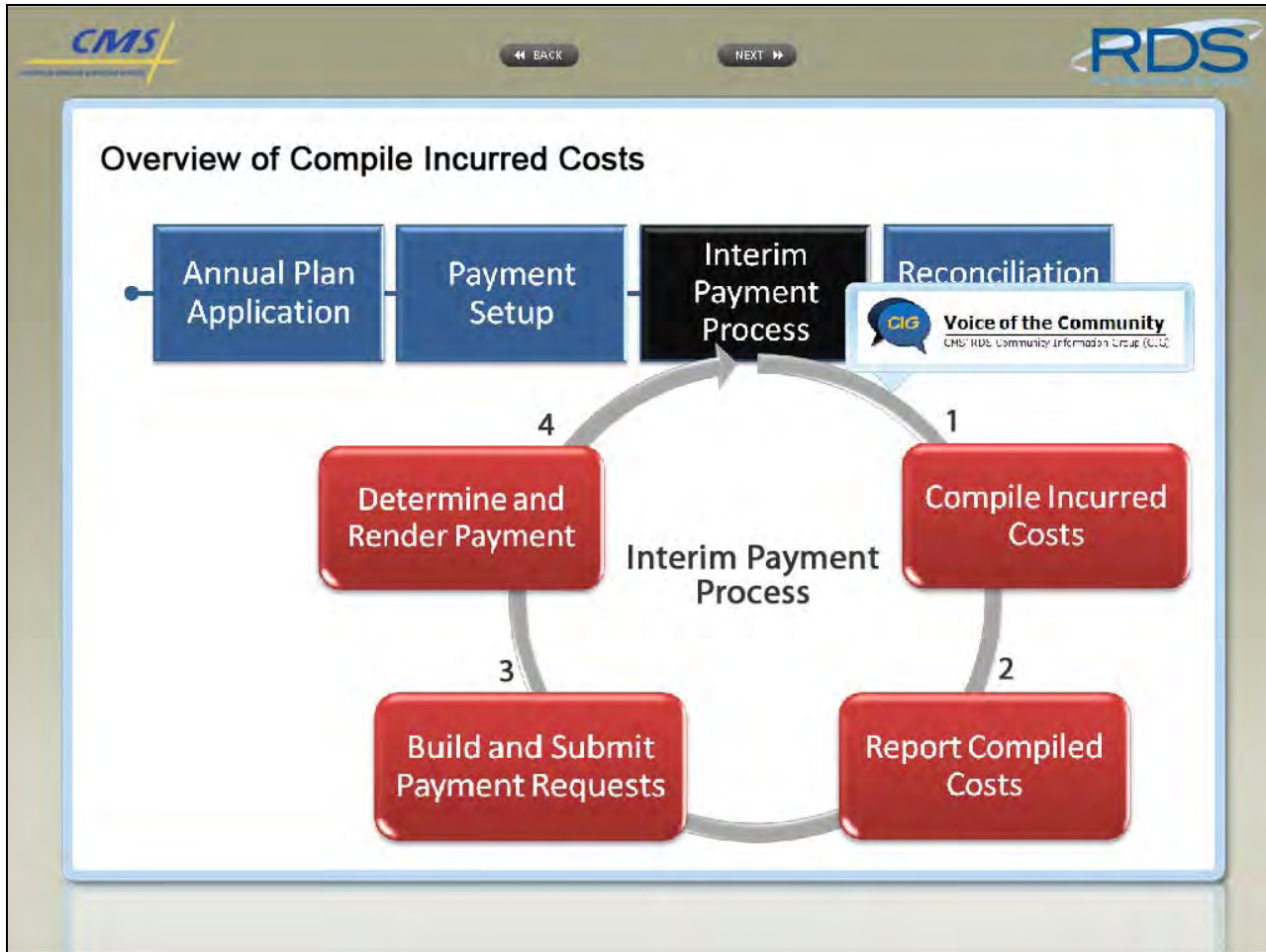
Calculate Threshold Reduction and Limit Reduction;

Determine when to report Gross Retiree Costs vs. Estimated Premiums;

Describe the ramifications of not coordinating retiree costs;

And Summarize how records should be maintained. Now that you understand the objectives, let's get started.

Slide 6



Slide notes

Overview of Compile Incurred Costs

During this stage of the Interim Payment process, the Cost Preparers compile incurred costs of Medicare Part D drugs for Qualifying Covered Retirees by Benefit Option and Plan Month.

Before starting this stage, the RDS Community Information Group, also known as CIG, recommends that Plan Sponsors update retiree files with CMS' RDS Center and process any Retiree Response Files or Retiree Notification Files.

The Plan Sponsor should then communicate this list to the Cost Preparers and Cost Reporters involved with the Interim Payment process. Interim costs can only be reported for beneficiaries, Benefit Options, and Subsidy Periods in the current Covered Retiree List.

Slide 7

The slide features a light blue border. In the top left corner is the CMS logo, and in the top right is the RDS logo. Between them are two navigation buttons: 'BACK' with a left arrow and 'NEXT' with a right arrow. The main title 'The Role of Cost Preparers' is positioned at the top left of the slide area. Centered on the slide is a yellow callout box titled 'RDS CIG Tip' containing the text 'Coordinate communication among all individuals involved.' Below this callout is a grid of red boxes, each containing the word 'Costs'. A cartoon illustration of a woman with dark hair, wearing a purple top and a necklace, is seated at a desk with a computer monitor, positioned in front of the grid.

Slide notes

The Role of Cost Preparers

The function of the Cost Preparer happens outside of the RDS System and may or may not be the same individuals assigned the Report Costs privilege on the RDS Secure Website.

Regardless, the RDS Community Information Group recognizes that communicating with these individuals is important and recommends that the Account Manager coordinates communication among all individuals involved in the Interim Payment process.

Slide 8

The slide content is displayed within a presentation window. At the top left is the CMS logo. At the top center are two navigation buttons: 'BACK' with a left arrow and 'NEXT' with a right arrow. At the top right is the RDS logo. The main content area contains the following text:

Compiling Incurred Costs

Plan Sponsors must submit aggregated cost data for all retirees covered under the Benefit Option in the following data elements:

- Gross Retiree Costs
- Threshold Reduction
- Limit Reduction
- Estimated Cost Adjustment

Slide notes

Compiling Incurred Costs

Plan Sponsors must submit aggregated cost data for all retirees covered under the Benefit Option in the following data elements:

Gross Retiree Costs;

Threshold Reduction;

Limit Reduction; and

Estimated Cost Adjustment.

Let's carefully review each of these data elements.

Slide 9

The slide is titled "Gross Retiree Costs" and is part of a presentation. It features the CMS logo in the top left and the RDS logo in the top right. Navigation buttons for "BACK" and "NEXT" are located at the top center. The main content area contains the following text:

Gross Retiree Costs: non-administrative costs including costs directly related to the dispensing of Medicare Part D drugs whether paid for by a Plan Sponsor or retiree, or a combination (i.e. copay and plan reimbursement).

Below the text is an image of an open book with white pages and a dark cover, lying flat on a light surface.

Slide notes

Gross Retiree Costs

Gross Retiree Costs are non-administrative costs, including costs directly related to the dispensing of Medicare Part D drugs whether paid for by a Plan Sponsor or retiree, or a combination. An example of Gross Retiree Costs is found in co-pay and plan reimbursement.

Slide 10

The slide is titled "Gross Retiree Costs" and is part of a presentation with "CMS" and "RDS" logos. It features three columns, each with an image and a text box:

- Covered:** Image of a person with an umbrella. Text: "Drug costs must be covered under Medicare Part D as defined in Federal Regulations Title 42 C.F.R. Part 423.100"
- Incurred:** Image of a person looking at a stack of papers. Text: "Drug costs must be incurred on or within a Subsidy Period Effective Date and Termination Date"
- Paid:** Image of a hand putting a coin into a slot labeled "PAID". Text: "The drug cost can either be paid by the Plan, by the retiree through out-of-pocket co-pay or deductible, or a combination"

Slide notes

Gross Retiree Costs.

There are three main criteria to determine if drug costs for a retiree are eligible for the RDS subsidy:

Gross drug costs must be covered under Medicare Part D. Gross costs include dispensing fees, ingredient costs, and sales tax, but exclude administrative costs.

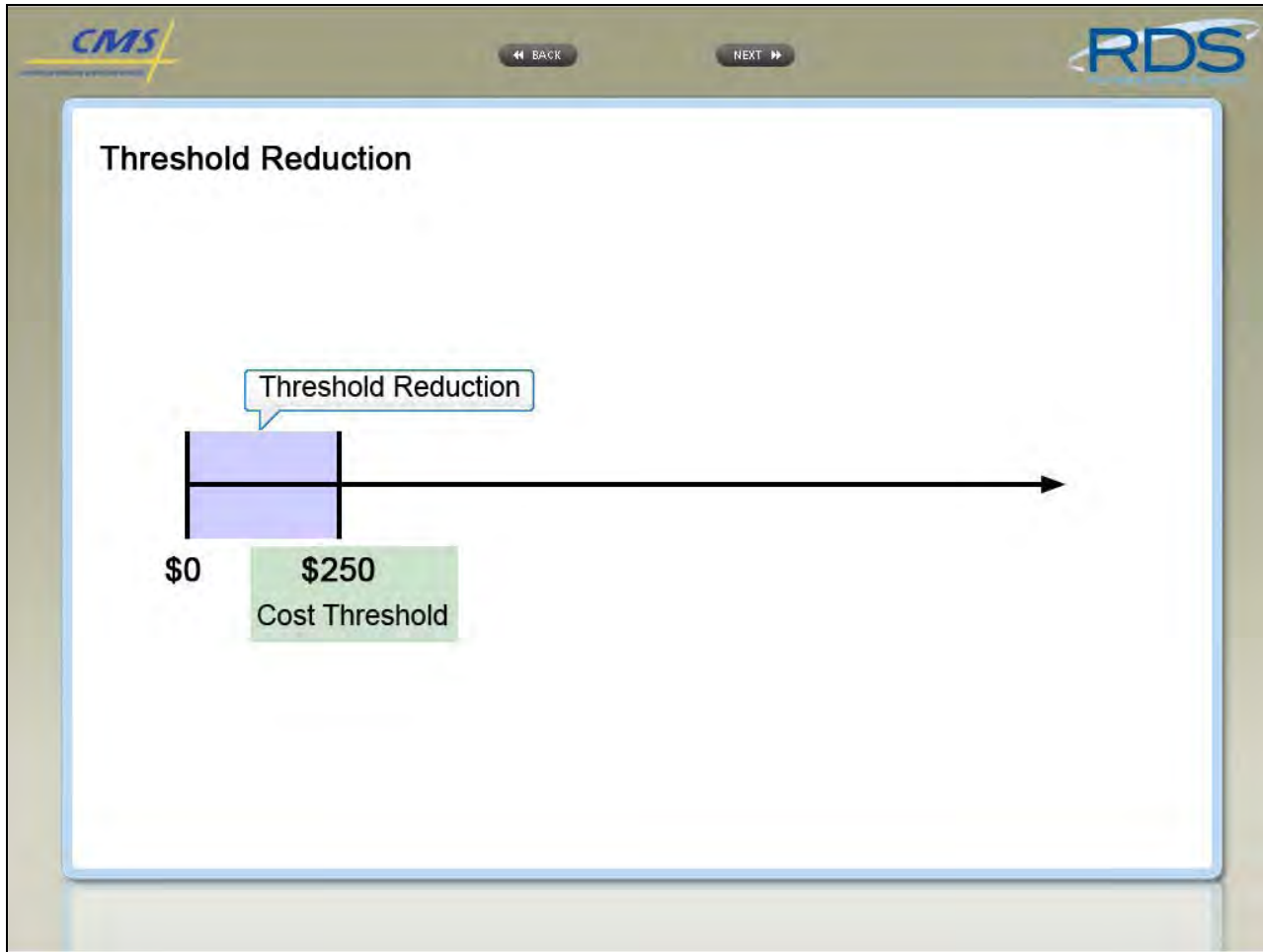
Drug costs must be incurred on or within a retiree's Subsidy Period Effective Date and the Subsidy Period Termination Date. When trying to determine if a retiree's drug cost is eligible for the subsidy, the only date that is relevant is the prescription incurred or filled date, and not the paid date. If the incurred date falls within, or on the retiree's subsidy effective and termination dates, the drug cost is eligible if it also meets the other criteria.

Drug costs must be paid. The drug cost can either be paid by the Plan, by the retiree through out-of-pocket co-pay or deductible, or a combination. Regardless of when the drug is paid, for example if it was paid the day it was incurred or six months later, it is still eligible, as long as it is paid and meets the other criteria.

In summary, to determine if retiree drug costs are eligible for subsidy: The drug costs must be covered under Medicare Part D;

The drug costs must be incurred on or within the Subsidy Period Effective and Termination Dates for the retiree; and the drug costs must be paid.

Slide 11



Slide notes

Threshold Reduction

To understand Threshold Reduction, you must first understand the Cost Threshold.

The Cost Threshold is the Federally-defined cost point at which incurred costs for a Qualifying Covered Retiree becomes eligible for subsidy payment. Incurred costs at or below the Cost Threshold are not eligible for subsidy. The Cost Threshold is published annually. In this example, we are using the 2006 Cost Threshold of \$250.

The Threshold Reduction is the amount below the Federally-defined Cost Threshold. This amount is not eligible for the subsidy.

Slide 12

Knowledge Check

Which of the following defines **Threshold Reduction**?

- A) The cost point at which incurred costs for Qualifying Covered Retirees become eligible for subsidy.
- B) The amount of incurred costs below the Cost Threshold not eligible for subsidy.
- C) The cost point at which incurred costs for Qualifying Covered Retirees stop becoming eligible for subsidy.
- D) The amount of incurred costs in excess of the Cost Limit that is not eligible for subsidy.

Try again

CLEAR SUBMIT

Slide notes

Knowledge Check. Let's take a few moments to check what you have learned by answering the multiple choice question below. It is recommended that you wait until I am done reading before selecting and submitting your answer. Which of the following defines Threshold Reduction?

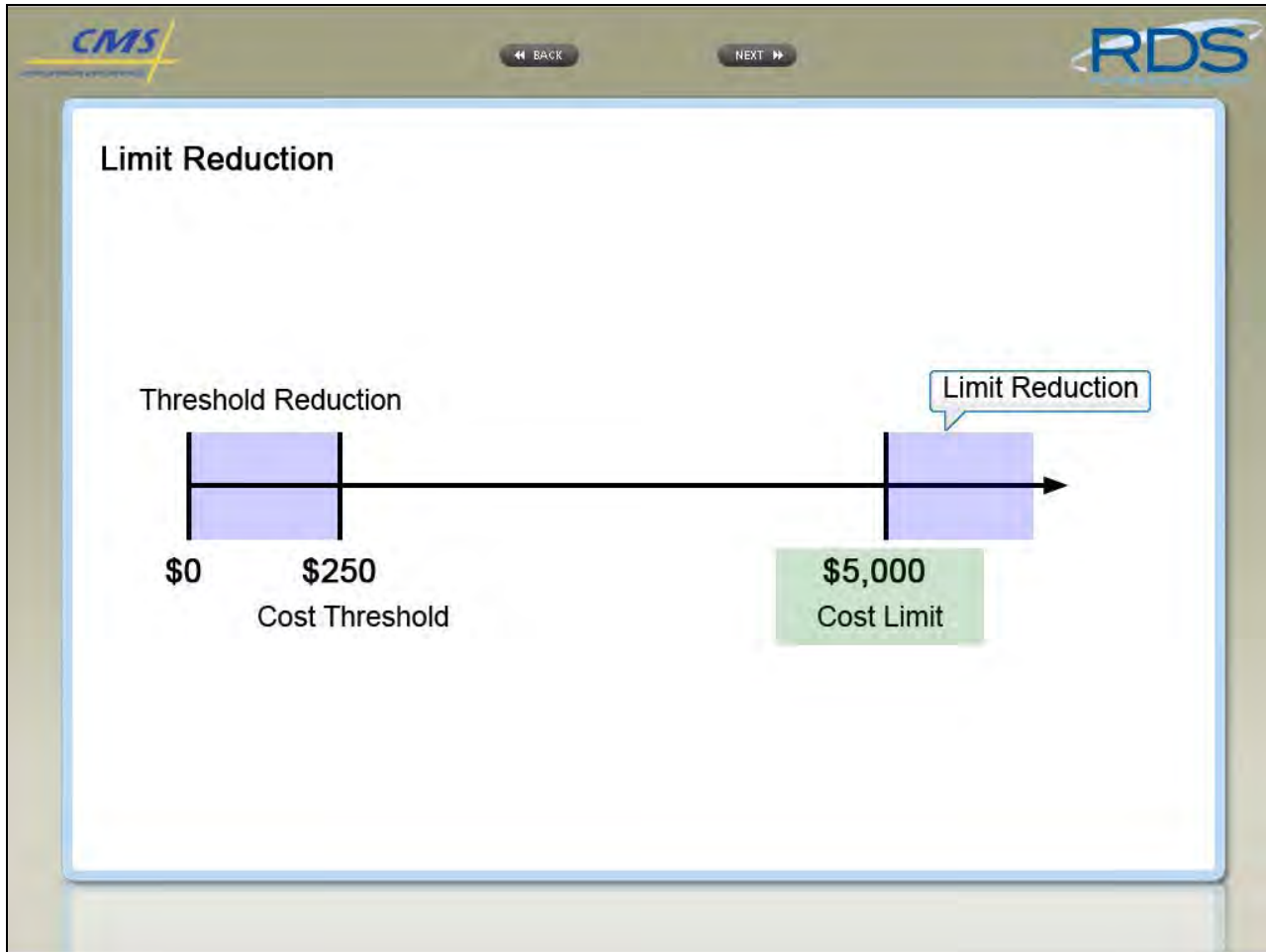
Is it A) The cost point at which incurred costs for Qualifying Covered Retirees become eligible for subsidy.

B) The amount of incurred costs below the Cost Threshold not eligible for subsidy.

C) The cost point at which incurred costs for Qualifying Covered Retirees stop becoming eligible for subsidy.

or D) The amount of incurred costs in excess of the Cost Limit that is not eligible for subsidy.

Slide 13



Slide notes

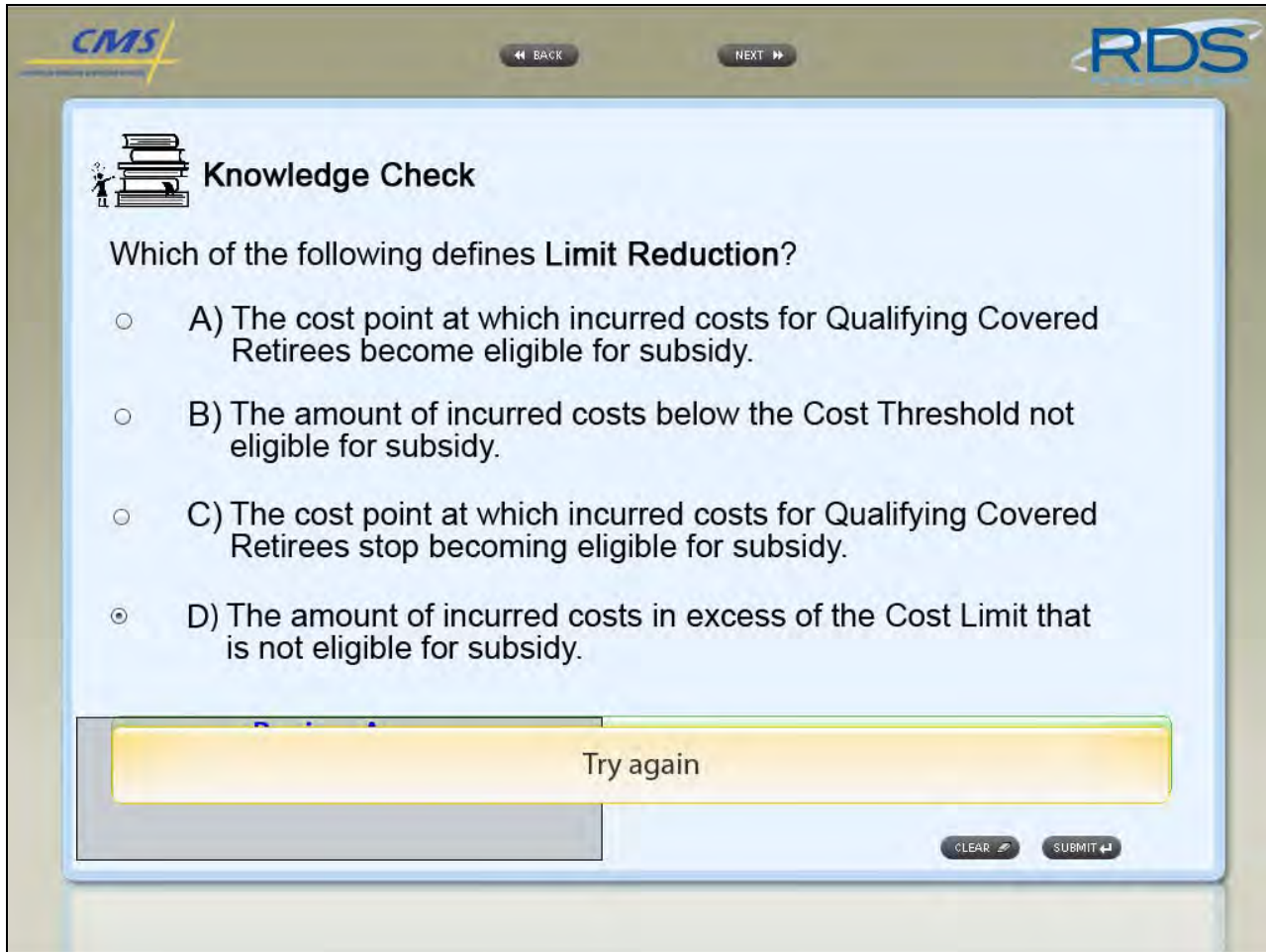
Limit Reduction.

To understand Limit Reduction, you must first understand the Cost Limit.

The Cost Limit is the Federally-defined cost point at which incurred costs for Qualifying Covered Retirees stop becoming eligible for subsidy. Incurred costs in excess of the Cost Limit are not eligible for subsidy. The Cost Limit is published annually. In this example, we are using the 2006 Cost Limit of \$5,000.

The Limit Reduction is the amount of Gross Retiree Costs in excess of the Cost Limit that is not eligible for subsidy.

Slide 14



Knowledge Check

Which of the following defines **Limit Reduction**?

- A) The cost point at which incurred costs for Qualifying Covered Retirees become eligible for subsidy.
- B) The amount of incurred costs below the Cost Threshold not eligible for subsidy.
- C) The cost point at which incurred costs for Qualifying Covered Retirees stop becoming eligible for subsidy.
- D) The amount of incurred costs in excess of the Cost Limit that is not eligible for subsidy.

Try again

CLEAR SUBMIT

Slide notes

Knowledge Check. Let's take a few moments to check what you have learned by answering the multiple choice question below. It is recommended that you wait until I am done reading before selecting and submitting your answer. Which of the following defines Limit Reduction?

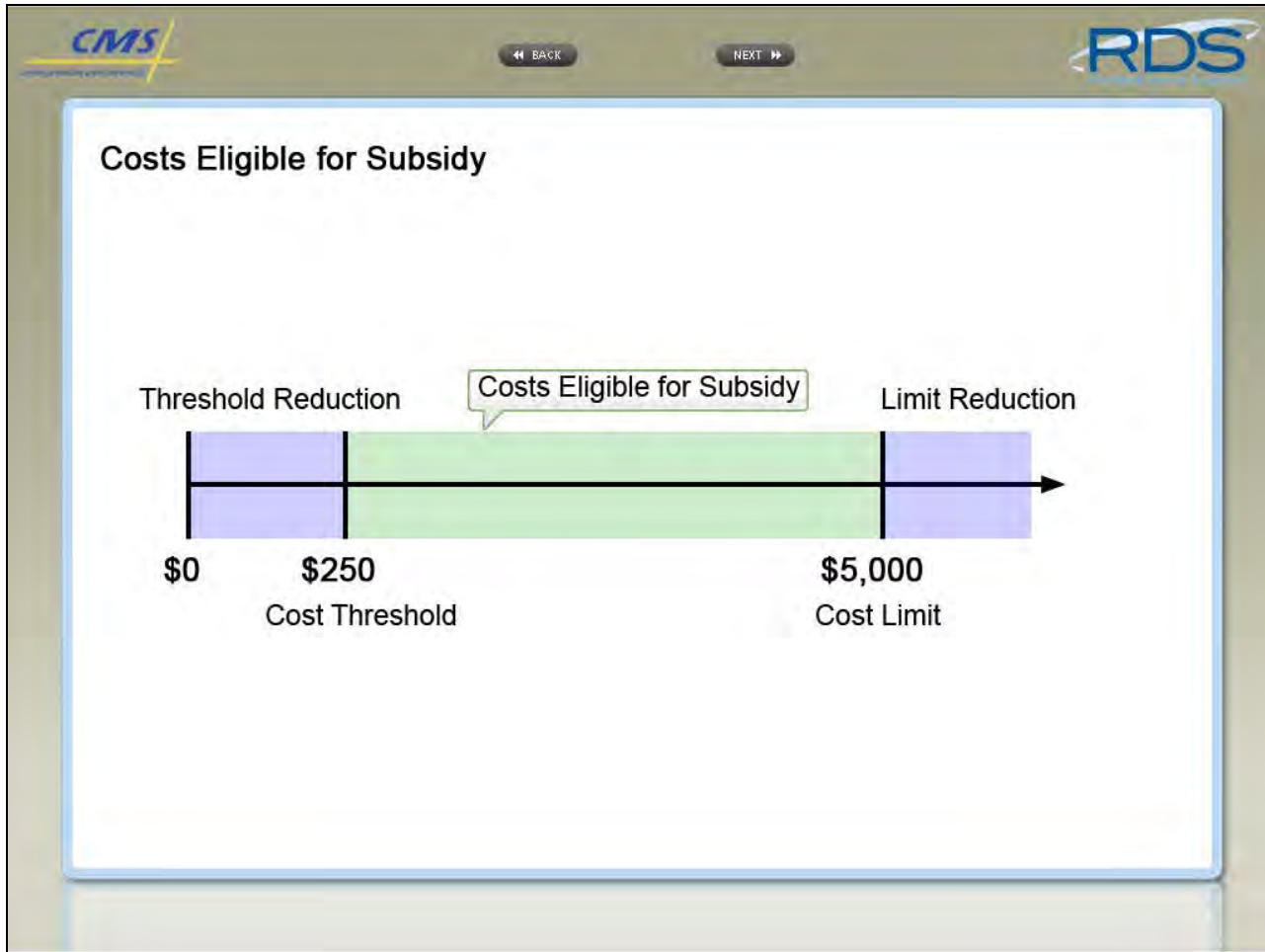
Is it A) The cost point at which incurred costs for Qualifying Covered Retirees become eligible for subsidy.

B) The amount of incurred costs below the Cost Threshold not eligible for subsidy.

C) The cost point at which incurred costs for Qualifying Covered Retirees stop becoming eligible for subsidy.

or D) The amount of incurred costs in excess of the Cost Limit that is not eligible for subsidy.

Slide 15



Slide notes

Costs Eligible for Subsidy.

Only cost data that falls between the Cost Threshold and Cost Limit is eligible for subsidy.

Slide 16

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January					
February					
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January					
February					
March					

Slide notes

Calculating Threshold Reduction and Limit Reduction. The Threshold Reduction and Limit Reduction amounts are reported by Benefit Option and Plan Month.

To help you understand how the Threshold Reduction and Limit Reduction are reported, we are going to look at cost examples for two Qualifying Covered Retirees: Anna Smith and Sam Adams.

As stated earlier, the Cost Threshold and Cost Limit are adjusted annually. They are adjusted in the same manner as the annual Medicare Part D deductible and the annual Medicare Part D out-of-pocket limit as defined in Federal Regulations Title 42 C.F.R. Part 423.104 sub-part (d)(1)(2) and sub-part (d)(5)(2)(B), respectively.

In this example, we are going to use the Cost Threshold of \$250 and the Cost Limit of \$5,000 for Plan Years ending in 2006.

Slide 17

Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23			
February					
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10			
February					
March					

Slide notes

The Gross Retiree Costs for Anna Smith in January was \$300.23. Remember, Gross Retiree Costs that are eligible for subsidy are drug costs covered under Medicare Part D, drug costs incurred within the Subsidy Period Effective and Termination Dates for the retiree, and drug costs that are paid.

In this example, January is the first month in the Plan Year. Therefore, the running total for Gross Retiree Costs for Anna Smith is \$300.23. Keeping a running total of Gross Retiree Costs helps you to determine when the Cost Threshold has been reached and when the Cost Limit has been exceeded.

The Gross Retiree Costs for Sam Adams in January was \$220.10.

In this example, January is the first month in the Plan Year. Therefore, the running total for Gross Retiree Costs for Sam Adams is \$220.10.

Slide 18

Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00		
February					
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10		
February					
March					

Slide notes

The Cost Threshold used in this example is the \$250 for Plan Years ending in 2006.

The Running Total of Gross Retiree Costs for Anna Smith is \$300.23. The Gross Retiree Costs are applied to the Threshold Reduction until the Cost Threshold of \$250 is reached.

The Cost Threshold of \$250 was reached. Therefore, that amount is applied to the Threshold Reduction.

The Running Total of Gross Retiree Costs for Sam Adams is \$220.10. The Gross Retiree Costs are applied to the Threshold Reduction until Cost Threshold of \$250 is reached.

The Cost Threshold of \$250 was not reached. Only \$220.10 is applied to the Threshold Reduction for January.

Slide 19

Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
 Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	
February					
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	
February					
March					

Slide notes

The Cost Limit used in this example is the \$5,000 for Plan Years ending in 2006. The Running Total of Gross Retiree Costs for Anna Smith is \$300.23, which has not reached the Cost Limit of \$5,000. Therefore, the Limit Reduction reported for January is \$0.

The Running Total of Gross Retiree Costs for Sam Adams is \$220.10, which has not reached the Cost Limit of \$5,000. Therefore, the Limit Reduction reported for January is \$0.

Slide 20



← BACK
NEXT →



Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February					
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February					
March					

Slide notes

The Gross Eligible Costs equals the Gross Retiree Costs, minus the Threshold Reduction, minus the Limit Reduction. To determine the Gross Eligible in January for Anna Smith, take \$300.23, minus \$250, minus \$0, which equals \$50.23. To determine the Gross Eligible in January for Sam Adams, take \$220.10, minus \$220.10, minus \$0, which equals \$0.

Slide 21

Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February	\$1,530.00	\$1,830.23			
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February	\$1,600.00	\$1,820.10			
March					

Slide notes

The Gross Retiree Costs for Anna Smith in February was \$1,530.00. This number is added to the previously reported Running Total of Gross Retiree Costs to equal \$1,830.23.

The Gross Retiree Costs for Sam Adams in February was \$1,600.00. This number is added to the previously reported Running Total of Gross Retiree Costs to equal \$1,820.10.

Slide 22

Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
 Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February	\$1,530.00	\$1,830.23	\$0		
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February	\$1,600.00	\$1,820.10	\$29.90		
March					


Slide notes

Remember, the Cost Threshold used in this example is the \$250 for Plan Years ending in 2006.


The Running Total of Gross Retiree Costs for Anna Smith is \$1,830.23. Since the Cost Threshold of \$250 was reached in the previous month, the Threshold Reduction reported for February will be \$0.

The Running Total of Gross Retiree Costs for Sam Adams is \$1,820.10. The Gross Retiree Costs will be applied to the Threshold Reduction until \$250 is reached. Since \$220.10 was applied in January, \$29.90 will need to be applied in February to reach the Cost Threshold of \$250.

Slide 23



← BACK
NEXT →



Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February	\$1,530.00	\$1,830.23	\$0	\$0	
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February	\$1,600.00	\$1,820.10	\$29.90	\$0	
March					

Slide notes

Remember, the Cost Limit used in this example is the \$5,000 for Plan Years ending in 2006.


The Running Total of Gross Retiree Costs for Anna Smith is \$1,830.23, which has not reached the Cost Limit of \$5,000. Therefore, the Limit Reduction reported for February is \$0.

The Running Total of Gross Retiree Costs for Sam Adams is \$1,820.10, which has not reached the Cost Limit of \$5,000. Therefore, the Limit Reduction reported for February is \$0.

Slide 24



← BACK
NEXT →



Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
 Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February	\$1,530.00	\$1,830.23	\$0	\$0	\$1,530.00
March					

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February	\$1,600.00	\$1,820.10	\$29.90	\$0	\$1,570.10
March					

Slide notes

The Gross Eligible Costs equals the Gross Retiree Costs, minus the Threshold Reduction, minus the Limit Reduction.

To determine the Gross Eligible in February for Anna Smith, take \$1,530, minus \$0, minus \$0, which equals \$1,530.

To determine the Gross Eligible in February for Sam Adams, take \$1,600, minus \$29.90, minus \$0, which equals \$1,570.10.

Slide 25



← BACK
NEXT →



Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February	\$1,530.00	\$1,830.23	\$0	\$0	\$1,530.00
March	\$3,550.00	\$5,380.23			

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February	\$1,600.00	\$1,820.10	\$29.90	\$0	\$1,570.10
March	\$1,500.00	\$3,320.10			

Slide notes


The Gross Retiree Costs for Anna Smith in March was \$3,550. This number is added to the previously reported Running Total of Gross Retiree Costs to equal \$5,380.23.

The Gross Retiree Costs for Sam Adams in March was \$1,500. This number is added to the previously reported Running Total of Gross Retiree Costs to equal \$3,320.10.

Slide 26



← BACK
NEXT →



Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00

Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February	\$1,530.00	\$1,830.23	\$0	\$0	\$1,530.00
March	\$3,550.00	\$5,380.23	\$0		

Sam Adams


Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February	\$1,600.00	\$1,820.10	\$29.90	\$0	\$1,570.10
March	\$1,500.00	\$3,320.10	\$0		

Slide notes


Once again, the Threshold Reduction used in this example is the \$250 for Plan Years ending in 2006. The Running Total of Gross Retiree Costs for Anna Smith is \$5,380.23. Since the Cost Threshold of \$250 was met in a previous month, the Threshold Reduction reported for March is \$0.

The Running Total of Gross Retiree Costs for Sam Adams is \$3,320.10. The Gross Retiree Costs will be applied to the Threshold Reduction until \$250 is reached. Since \$220.10 was applied in January and \$29.90 in February totaling \$250, the Cost Threshold has been reached. Therefore, the Threshold Reduction reported for March is \$0.

Slide 27



← BACK
NEXT →



Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February	\$1,530.00	\$1,830.23	\$0	\$0	\$1,530.00
March	\$3,550.00	\$5,380.23	\$0	\$380.23	

Sam Adams


Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February	\$1,600.00	\$1,820.10	\$29.90	\$0	\$1,570.10
March	\$1,500.00	\$3,320.10	\$0	\$0	

Slide notes


Once again, the Cost Limit used in this example is the \$5,000 for Plan Years ending in 2006. The Running Total of Gross Retiree Costs for Anna Smith is \$5,380.23, which is above the Cost Limit of \$5,000. Anything above the Cost Limit is not eligible for subsidy. Therefore, \$5,000 will be subtracted from the Running Total of Gross Retiree Costs of \$5,380.23 to create a Limit Reduction of \$380.23.

The Running Total of Gross Retiree Costs for Sam Adams is \$3,320.10, which has not reached the Cost Limit of \$5,000. Therefore, the Limit Reduction reported for March is \$0.

Slide 28



← BACK
NEXT →



Calculating Threshold Reduction and Limit Reduction

Cost Threshold: \$250.00
Cost Limit: \$5,000.00

Anna Smith

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$300.23	\$300.23	\$250.00	\$0	\$50.23
February	\$1,530.00	\$1,830.23	\$0	\$0	\$1,530.00
March	\$3,550.00	\$5,380.23	\$0	\$380.23	\$3,169.77

Sam Adams

Month	Gross Retiree Costs (GRC)	Running Total of GRC	Threshold Reduction (TR)	Limit Reduction (LR)	Gross Eligible
January	\$220.10	\$220.10	\$220.10	\$0	\$0
February	\$1,600.00	\$1,820.10	\$29.90	\$0	\$1,570.10
March	\$1,500.00	\$3,320.10	\$0	\$0	\$1,500.00

Slide notes

The Gross Eligible equals the Gross Retiree Costs, minus the Threshold Reduction, minus the Limit Reduction.

To determine the Gross Eligible in March for Anna Smith, take \$3,550, minus \$0, minus \$380.23, which equals \$3,169.77.


To determine the Gross Eligible in March for Sam Adams, take \$1,500, minus \$0, minus \$0, which equals \$1,500.

Slide 29

The slide is titled "Estimated Cost Adjustments" and is part of a presentation. It features the CMS logo in the top left and the RDS logo in the top right. Navigation buttons for "BACK" and "NEXT" are located at the top center. The main content area contains a definition of "Estimated Cost Adjustment" and an image of an open book.

Estimated Cost Adjustments

Estimated Cost Adjustment: the amount of the expected rebates and other price concessions for the upcoming Plan Year attributable to the Gross Retiree Costs between the Cost Threshold and the Cost Limit.



Slide notes


Estimated Cost Adjustments

The Estimated Cost Adjustment is the amount of the expected rebates and other price concessions for the upcoming Plan Year attributable to the Gross Retiree Costs between the Cost Threshold and the Cost Limit.


The Estimated Cost Adjustment must be based on historical data and generally accepted actuarial principles. It must be reported per Benefit Option and Plan Month.

Please note that Estimated Cost Adjustments are only used in Interim Cost Reporting. Actual Cost Adjustments must be reported for Reconciliation. Be careful not to underestimate the Estimated Cost Adjustment, or it could cause an overpayment condition in Reconciliation.

Slide 30



← BACK
NEXT →



Calculating Allowable Retiree Costs

Anna Smith

Month	Gross Eligible	Estimated Cost Adjustments (ECA)	Allowable Retiree Costs (ARC)
January	\$50.23	\$1.51	\$48.72
February	\$1,530.00	\$135.00	\$1,395.00
March	\$3,169.77	\$240.59	\$2,929.18

Gross Eligible (GE)			3,169.77
- Estimated Cost Adjustments (ECA)		-	240.59
= Allowable Retiree Costs (ARC)			= 2,929.18





Slide notes

Calculating Allowable Retiree Costs.

Allowable Retiree Costs (ARC) equals Gross Eligible (GE), minus Estimated Cost Adjustment (ECA).

For Example: We took Anna Smith's Gross Eligible of \$3,169.77, and subtracted her Estimated Cost Adjustments of \$240.59, to come up with Allowable Retiree Costs of \$2,929.18 for the month of March.

Slide 31


   

How Subsidy is Calculated

Gross Costs = (Part D drug costs paid by Plan or by Qualifying Covered Retiree) - Administrative Costs

Allowable Retiree Costs = Gross Costs - Threshold Reduction - Limit Reduction - Estimated Cost Adjustments

Subsidy = Allowable Retiree Costs x 28%



Slide notes

How Subsidy is Calculated

Gross Costs = (Part D drug costs paid by the Plan or by the Qualifying Covered Retiree), minus Administrative Costs.

Allowable Retiree Costs = Gross Costs, minus Threshold Reduction, minus Limit Reduction, minus Estimated Cost Adjustments.

Subsidy = Allowable Retiree Costs times 28%.

Slide 32

Plan Type	Gross Retiree Costs or Estimated Premiums?
Is the Plan Self-Funded?	Self-Funded plans must report Gross Retiree Costs .
Is the Plan Fully-Insured?	Fully-Insured plans have the option to report Gross Retiree Costs or Estimated Premiums .
Does the Benefit Option include more than one drug plan, and one of those plans is Fully-Insured, but the other is Self-Insured?	If the Benefit Option includes more than one drug plan, and one of those plans is Fully-Insured, but the other is Self-Insured, Gross Retiree Costs must be reported.

Slide notes

Gross Retiree Costs vs. Estimated Premiums. As you learned earlier, Gross Retiree Costs are non-administrative costs including costs directly related to the dispensing of Medicare Part D drugs whether paid for by a Plan Sponsor or the Qualifying Covered Retiree, or a combination. In other words, Gross Retiree Costs include real claims data.

Estimated Premiums are the portion of premium costs, excluding administrative costs, and risk charges paid by the Plan Sponsor or by the Qualifying Covered Retiree that is allocated to Gross Retiree Costs between the Cost Threshold and the Cost Limit. The Estimated Premium option is recommended for those fully insured plans that do not have access to retirees' gross drug costs. If they have GRC, they should report GRC. So when do you report Gross Retiree Costs versus Estimated Premium?

Is the Plan Self-Funded? Self-funded plans must report Gross Retiree Costs.

Is the Plan Fully-Insured? Fully-insured plans have the option to report Gross Retiree Costs or Estimated Premiums. The Estimated Premium option is recommended for those fully-insured plans that do not have access to retirees' gross drug costs.

Does the Benefit Option include more than one drug plan, and one of those plans is fully-insured, but the other is self-insured? If the Benefit Option includes more than one drug plan, and one of those plans is fully-insured, but the other is self-insured, gross retiree costs must be reported.

Slide 33

Coordinating Individual Qualifying Covered Retiree Costs

The Plan Sponsor is required to coordinate individual retiree cost data in the following situations:

- When multiple Cost Reporters are reporting costs for a single Benefit Option
- If any individual retirees are enrolled in more than one Benefit Option during the same time period or different time periods
- If any individual retirees are enrolled in one Benefit Option for two or more separate Subsidy Periods

Slide notes

Coordinating Individual Qualifying Covered Retiree Costs

The Plan Sponsor is required to coordinate individual retiree cost data in the following situations:

When multiple Cost Reporters are reporting costs for a single Benefit Option.

If any individual retirees are enrolled in more than one Benefit Option during the same time period or different time periods;

If any individual retirees are enrolled in one Benefit Option for two or more separate Subsidy Periods.

Cost data for these situations should be considered carefully by the Plan Sponsor to ensure proper reporting.

Slide 34

The slide features a header with the CMS logo on the left and the RDS logo on the right. In the center, there are two navigation buttons: 'BACK' with a left arrow and 'NEXT' with a right arrow. The main content area is titled 'Ramifications for Not Coordinating Costs' and contains three pink rectangular boxes, each with a yellow warning triangle icon in the top-left corner. The boxes contain the following text: 'Reporting of Inaccurate Costs', 'Payment Validation Failure', and 'Potential Overpayment in Reconciliation'.

Slide notes

Ramifications for Not Coordinating Costs.

Possible ramifications for not coordinating costs include:

The reporting of inaccurate costs;

Payment Validation Failure;

and Potential Overpayment in Reconciliation;

Slide 35

◀ BACK NEXT ▶

Maintaining Records

- Claims data needs to be maintained for a minimum of **six years**
- Aggregate data is not required to be reported at the individual retiree level

6 years



Slide notes

Maintaining Records

Claims data needs to be maintained for a minimum of six years. It is the responsibility of the Plan Sponsor to maintain this data. This timeframe can be extended by CMS in certain circumstances for audit purposes.

Aggregate data is not required to be reported at the individual retiree level. However, Plan Sponsors and other entities assisting them in the Cost Reporting Process are reminded that Allowable Retiree Costs are determined at the retiree level, and records need to be retained showing how data submitted in the Cost Reporting Process was determined.

Slide 36

The slide is titled "Summary" and is part of a training module. It features a blue border and a light blue background. At the top left is the "CMS" logo, and at the top right is the "RDS" logo. In the center, there are two buttons: "BACK" with a left arrow and "NEXT" with a right arrow. The main content is a list of learning objectives, each preceded by a green checkmark. The text is as follows:

Summary

In this training module, you learned about the Compiled Incurred Costs stage of the Interim Payment Process and should now be able to:

- ✓ Describe the Compile Incurred Costs stage
- ✓ Define the role of Cost Preparers
- ✓ Define Gross Retiree Costs, Threshold Reduction, Limit Reduction, and Estimated Cost Adjustments
- ✓ Calculate Threshold Reduction and Limit Reduction
- ✓ Determine when to report Gross Retiree Costs vs. Estimated Premiums
- ✓ Describe the ramifications of not coordinating retiree costs
- ✓ Summarize how records should be maintained

Slide notes

Summary

In this training module, you learned about the Compiled Incurred Costs stage of the Interim Payment Process and should now be able to:

Describe the Compile Incurred Costs stage;

Define the role of Cost Preparers;

Define Gross Retiree Costs, Threshold Reduction, Limit Reduction, and Estimated Cost Adjustments;

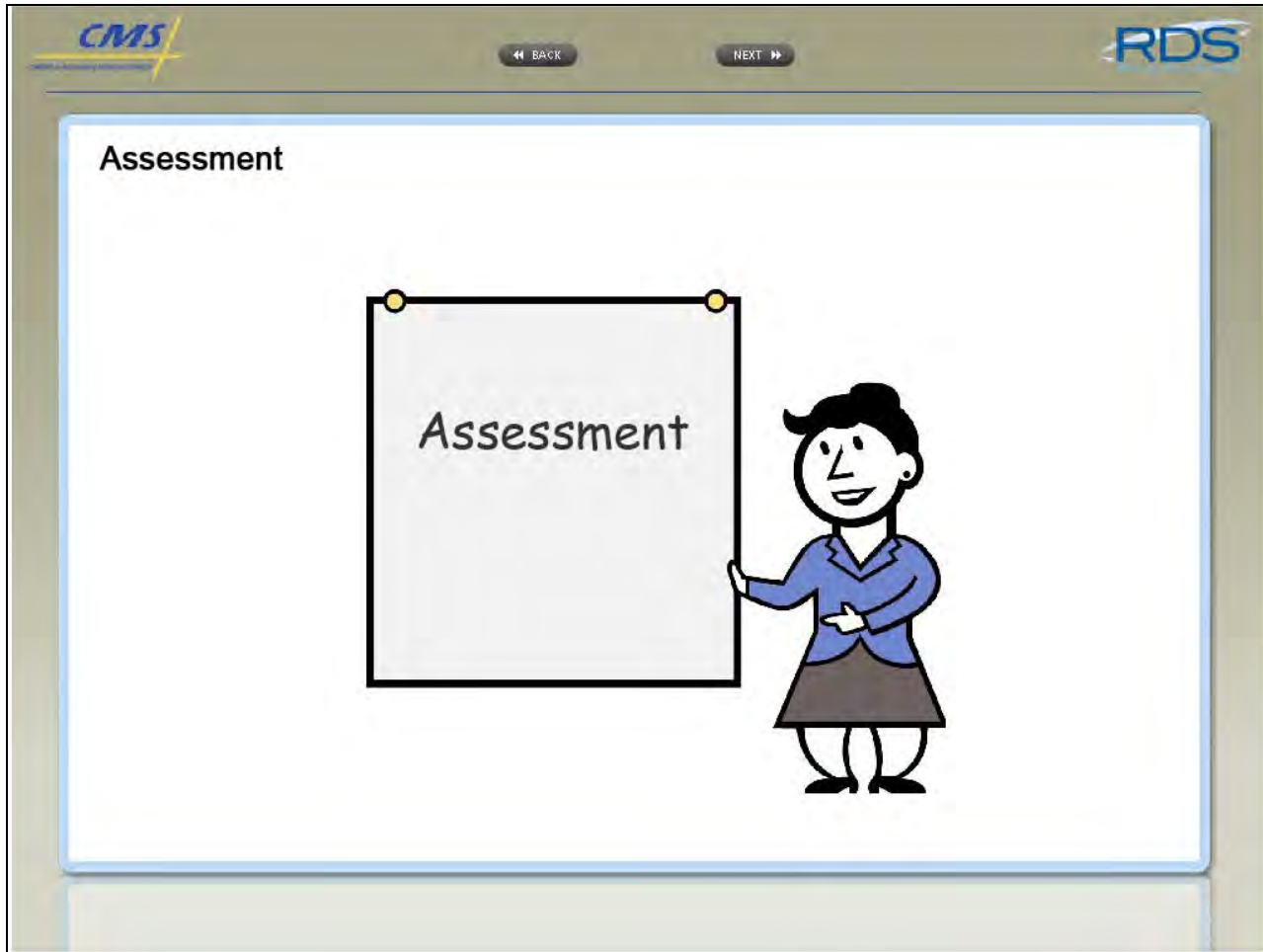
Calculate Threshold Reduction and Limit Reduction;

Determine when to report Gross Retiree Costs vs. Estimated Premiums;

Describe the ramifications of not coordinating retiree costs;

and Summarize how records should be maintained.

Slide 37



Slide notes

Now that you have finished this module; let's assess what you have learned. You will be presented with 5 questions that are either multiple-choice or true-false. It is recommended that you wait until all questions are read before selecting and submitting your answer. If you would like to skip this assessment, you may select the Next button above every question.

Slides 38 - 42

Questions will be selected randomly from a pool that can be found in [Appendix A](#).

Slide 43

The screenshot shows a presentation slide with a light blue border. At the top left is the CMS logo, and at the top right is the RDS logo. In the center, there are two buttons: 'BACK' with a left arrow and 'NEXT' with a right arrow. The main content is a white box with a blue border containing the title 'Suggested Resources' and a bulleted list of resources.

Suggested Resources

- RDS Program Website > User Guides
 - [RDS User Guide](#) (pdf)
- RDS Program Website > How To > Submit Costs and Request Payment
 - [Prepare RDS Cost Data For Submission To The RDS Center](#)
- RDS Program Website > Reference Materials > CMS Guidance
 - [Cost Threshold and Cost Limit by Plan Year](#)
- RDS Program Website > RDS CIG
 - [Coordinating Individual Qualifying Covered Retiree Costs](#)
- RDS Program Website > Reference Materials > Job Aids
 - [Sample Retiree File Spreadsheet](#) (xls)
 - [EDI Methods and Sources Job Aid](#) (pdf)
- CMS Website > CMS Employer Information Page
 - [CMS Retiree Drug Subsidy Guidance: Rebates and Other Price Concessions](#) (pdf)
 - [How To Extract Certain Medicare Part B Costs From RDS Payment Requests](#) (pdf)
 - [CMS Retiree Drug Subsidy Guidance: Qualifying Covered Retirees](#) (pdf)
 - [CMS Retiree Drug Subsidy Guidance: Actuarial Equivalence Standard](#) (pdf)
 - [Appendix: Sample Calculation](#) (pdf)
 - [Actuarial Equivalence Sample Calculation Worksheet](#) (Zipped Excel)

Slide notes

Suggested Resources. To increase your retention of this information, we recommend that you review the following resources:

RDS Program Website, User Guides

RDS User Guide

RDS Program Website, How To, Submit Costs and Request Payment

Prepare RDS Cost Data For Submission To The RDS Center

RDS Program Website, CMS Guidance

Cost Threshold and Cost Limit by Plan Year

RDS Program Website, RDS CIG

Coordinating Individual Qualifying Covered Retiree Costs

RDS Program Website Reference Materials, Reference Materials, Job Aids

Sample Retiree File Spreadsheet

EDI Methods and Sources Job Aid

CMS Website, CMS Employer Information Page

CMS Retiree Drug Subsidy Guidance: Rebates and Other Price Concessions
How To Extract Certain Medicare Part B Costs From RDS Payment Requests
CMS Retiree Drug Subsidy Guidance: Qualifying Covered Retirees
CMS Retiree Drug Subsidy Guidance: Actuarial Equivalence Standard
Appendix: Sample Calculation
Actuarial Equivalence Sample Calculation Worksheet

Slide 44

CMS

← BACK NEXT →

RDS

Contact CMS' RDS Center

Questions?
Call CMS' RDS Center Help Line:
1-800-562-1963

Suggestions?
Email CMS' RDS CIG Group:
RDSCIG@cms.hhs.gov

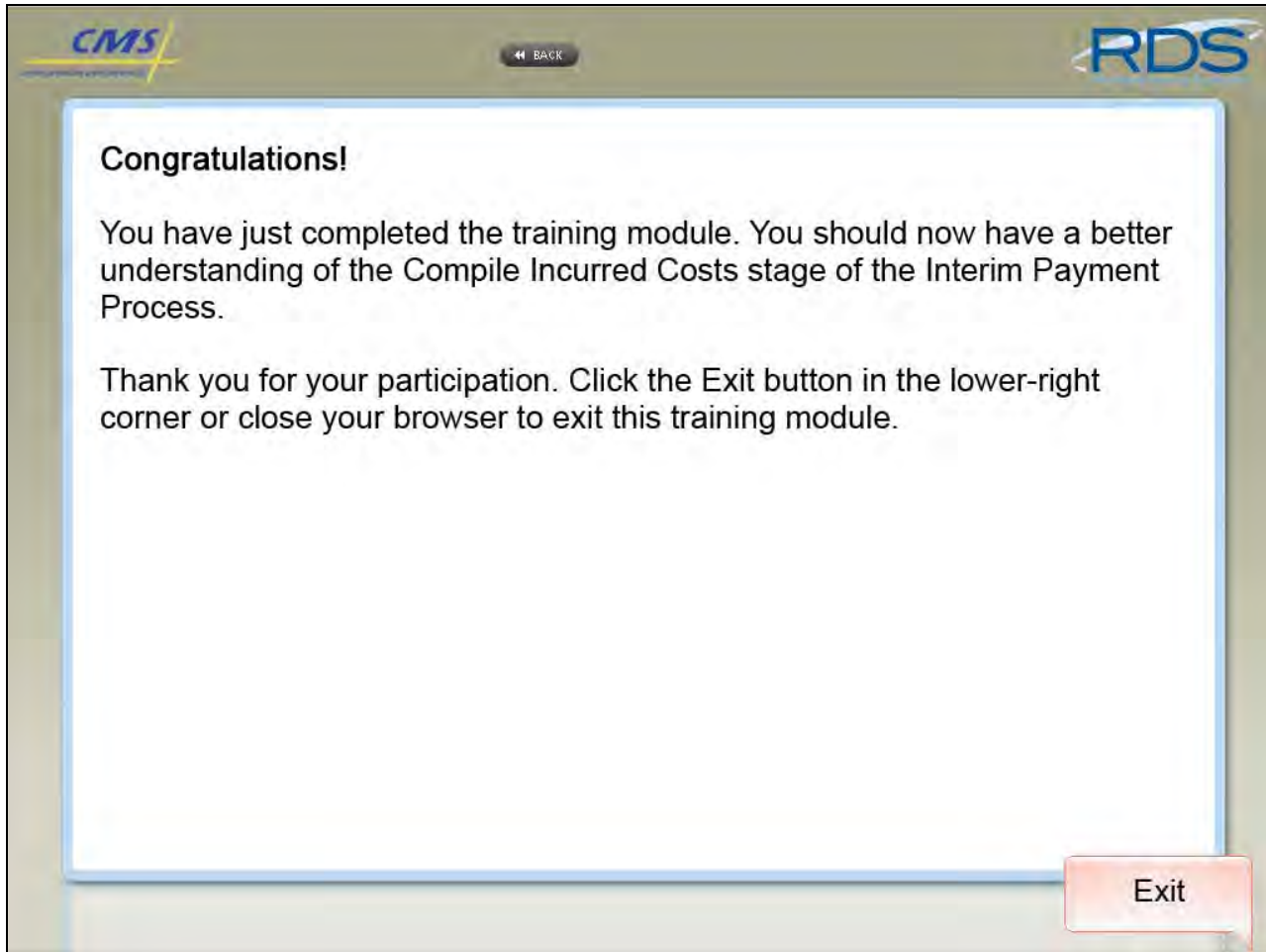
Slide notes

Contact CMS' RDS Center

If you have any questions about the Interim Payment Process or have any other RDS issues, contact CMS' RDS Center Help Line at 1-800-562-1963.

If you have suggestions about this Web-Based Training, about the RDS Program, or any other technical assistance products that you would like, email your suggestions to RDSCIG@cms.hhs.gov.

Slide 45



The screenshot shows a training slide with a light blue border. In the top left corner, there is a logo for 'CMS' with the tagline 'COMPLYING WITH COMPLIANCE'. In the top right corner, there is a logo for 'RDS'. Below the CMS logo is a small 'BACK' button with a left-pointing arrow. The main content of the slide is centered and reads: 'Congratulations! You have just completed the training module. You should now have a better understanding of the Compile Incurred Costs stage of the Interim Payment Process. Thank you for your participation. Click the Exit button in the lower-right corner or close your browser to exit this training module.' In the bottom right corner of the slide, there is a red button labeled 'Exit'.

Slide notes

You have just completed the training module. You should now have a better understanding of the Compile Incurred Costs stage of the Interim Payment Process.

Thank you for your participation. Click the Exit button in the lower-right corner or close your browser to exit this training module.

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Assessment

Which of the following descriptions best describes Compiling Incurred Costs?

- A) The Payment Requester carefully reviews previously submitted costs, builds the Payment Request by selecting which Benefit Options to include, and submits the request to CMS' RDS Center.
- B) The Plan Sponsor determines who reports cost data for each Benefit Option, how the information is transmitted to CMS' RDS Center, and who requests Interim Payments if the Plan Sponsor has elected an Interim Payment Frequency.
- C) The Cost Preparers compile incurred costs of Medicare Part D drugs for Qualifying Covered Retirees by Benefit Option and Plan Month.

Incorrect: The correct answer is Cost Preparers compile incurred costs of Medicare Part D drugs for Qualifying Covered Retirees by Benefit Option and Plan Month. This best describes Compiling Incurred Costs.

Review Area

CLEAR SUBMIT

Slide notes

Which of the following descriptions best describes Compiling Incurred Costs?

Is it A) The Payment Requester carefully reviews previously submitted costs, builds the Payment Request by selecting which Benefit Options to include, and submits the request to CMS' RDS Center.

B) The Plan Sponsor determines who reports cost data for each Benefit Option, how the information is transmitted to CMS' RDS Center, and who requests Interim Payments if the Plan Sponsor has elected an Interim Payment Frequency.

or C) The Cost Preparers compile incurred costs of Medicare Part D drugs for Qualifying Covered Retirees by Benefit Option and Plan Month.

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Assessment

Which of the following statements defines Gross Retiree Costs?

- A) Administrative costs paid for by a Plan Sponsor or Qualifying Covered Retiree, or a combination.
- B) Non-administrative costs including costs directly related to the dispensing of Medicare Part D drugs whether paid for by a Plan Sponsor or Qualifying Covered Retiree, or a combination.
- C) The portion of premium costs paid by the Plan Sponsor and by the Qualifying Covered Retiree that based on a determination by the insurer using reasonable actuarial principles is allocated to gross retiree costs between the Cost Threshold and the Cost Limit.

Incorrect: Gross Retiree Costs are Non-administrative costs including costs directly related to the dispensing of Medicare Part D drugs whether paid for by a Plan Sponsor or Qualifying Covered Retiree, or a combination. An example of Gross Retiree Costs is found in co-pay and plan reimbursement.

Review Area CLEAR SUBMIT

Slide notes

Which of the following statements defines Gross Retiree Costs?

Is it A) Administrative costs paid for by a Plan Sponsor or Qualifying Covered Retiree, or a combination.

B) Non-administrative costs including costs directly related to the dispensing of Medicare Part D drugs whether paid for by a Plan Sponsor or Qualifying Covered Retiree, or a combination (for example, co-pay and plan reimbursement)

or C) The portion of premium costs paid by the Plan Sponsor and by the Qualifying Covered Retiree that based on a determination by the insurer using reasonable actuarial principles is allocated to gross retiree costs between the Cost Threshold and the Cost Limit.

5 ddYbXj| '5 '7 cbH'

Assessment

Identify which costs are eligible for subsidy?

- A) Drug costs that are covered under Medicare Part D
- B) Drug costs that are incurred on or within a retiree's Subsidy Period Effective Date and the Subsidy Period Termination Date
- C) Drug costs that are paid
- D) All of the above

Incorrect: Costs that are eligible for subsidy include drug costs that are paid, drug costs that are covered under Medicare Part D, and drug costs that are incurred on or within a retiree's Subsidy Period Effective Date and the Subsidy Period Termination date. Therefore, all of the above would have been the best answer.

Slide notes

Identify which costs are eligible for subsidy?

Is it A) Drug costs that are covered under Medicare Part D

B) Drug costs that are incurred on or within a retiree's Subsidy Period Effective Date and the Subsidy Period Termination Date

C) Drug costs that are paid

or D) All of the Above

5 ddYbXj| '5 '7 cbH'

Assessment

What is the amount below the Federally-defined Cost Threshold that is not eligible for the subsidy?

- A) Limit Reduction
- B) Threshold Reduction
- C) Cost Threshold
- D) Cost Limit

Incorrect: The amount below the Federally-defined Cost Threshold that is not eligible for subsidy is called the Threshold Reduction.

Slide notes

What is the amount below the Federally-defined Cost Threshold that is not eligible for the subsidy?

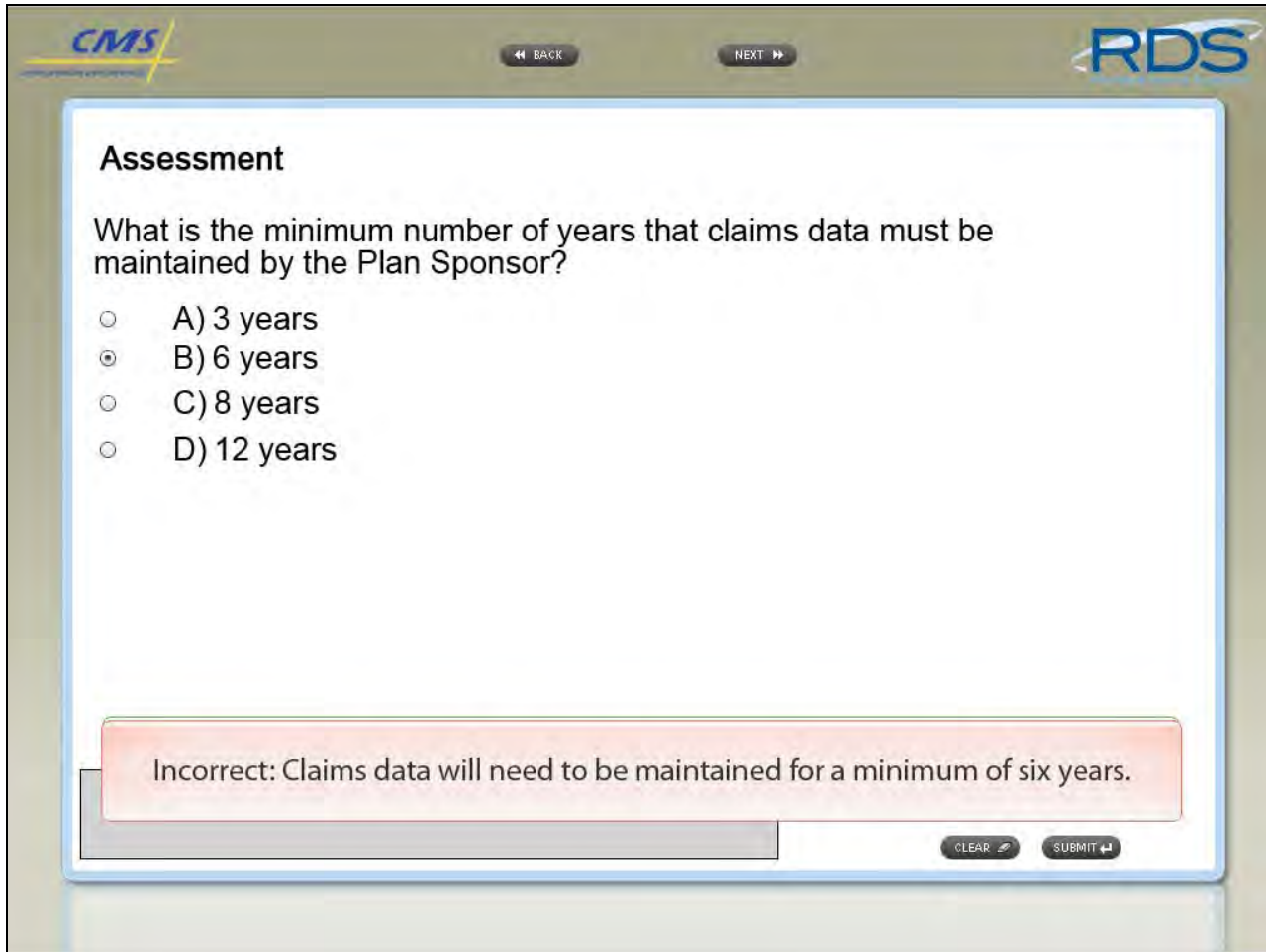
Is it A) Limit Reduction

B) Threshold Reduction

C) Cost Threshold

or D) Cost Limit

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Slide notes

What is the minimum number of years that claims data must be maintained by the Plan Sponsor?

Is it A) 3 years

B) 6 years

C) 8 years

or D) 12 years

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Assessment

What is the amount in excess of the Federally-defined Cost Limit that is not eligible for the subsidy?

- A) Limit Reduction
- B) Threshold Reduction
- C) Cost Threshold
- D) Cost Limit

Incorrect: The amount in excess of the Federally-defined Cost Limit that is not eligible for the subsidy is the Limit Reduction.

Review Area

CLEAR SUBMIT

Slide notes

What is the amount in excess of the Federally-defined Cost Limit that is not eligible for the subsidy?

- Is it A) Limit Reduction
- B) Threshold Reduction
- C) Cost Threshold
- or D) Cost Limit