

Cost Plan Policy Issue

04-003

Question

Can a cost plan claim administrative costs related to the drug card on its cost report?

Answer

No. Cost HMOs are just like any other drug card sponsor in so far as they are permitted to charge up to \$30 as an annual enrollment fee for a Medicare-endorsed drug card that they sponsor. This annual enrollment fee is to cover 100% of administrative costs related to the endorsed drug card. No other administrative charges are permitted. A cost HMO may sponsor a drug card and either waive the annual enrollment fee or not charge the full \$30. However, any unmet costs related to such a drug card are not recoverable and must not appear on the cost report.

If someone else sponsors a drug card and a Cost HMO co-brands or markets that other card to its cost HMO enrollees, then such a drug card is a VAIS. No charges for such a "co-branded" card are permitted on the cost report.