

**ADDENDUM TO MEDICARE MANAGED CARE CONTRACT PURSUANT TO
SECTIONS 1851 THROUGH 1859 AND 1860D-1 THROUGH 1860D-43 OF THE
SOCIAL SECURITY ACT FOR THE OPERATION OF AN EMPLOYER/UNION-ONLY
GROUP MEDICARE ADVANTAGE PRESCRIPTION DRUG PLAN**

The Centers for Medicare & Medicaid Services (hereinafter referred to as “CMS”) and <<CONTRACT_NAME>>, a Medicare Advantage Organization (hereinafter referred to as the “MA Organization”) agree to amend the contract <<CONTRACT_ID>> governing the MA Organization’s operation of a Medicare Advantage plan described in § 1851(a)(2)(A) or § 1851(a)(2)(C) of the Social Security Act (hereinafter referred to as “the Act”), including all attachments, addenda, and amendments thereto, to include the provisions contained in this addendum (collectively hereinafter referred to as the “contract”), under which the MA Organization shall offer Employer/Union-Only Group MA-PD Plans (hereinafter referred to as “employer/union-only group MA-PDs”) in accordance with the waivers granted by CMS under sections 1857(i) and 1860D-22(b) of the Act. The terms of this Addendum shall only apply to MA-PD plans offered exclusively to Medicare Advantage-eligible individuals enrolled in employment-based health coverage under a contract between the MA Organization and the employer/union sponsor of the employment-based health coverage, pursuant to §§ 1860D-1 through 1860D-43 (with the exception of §§ 1860D-22(a) and 1860D-31) of the Act.

This addendum is made pursuant to Subpart K of 42 CFR Parts 422 and 423.

ARTICLE I
EMPLOYER/UNION-ONLY GROUP MEDICARE ADVANTAGE PRESCRIPTION
DRUG PLANS

- A. MA Organization agrees to operate one or more employer/union-only group MA-PDs in accordance with the Medicare Advantage contract (as modified by this Addendum), which incorporates in its entirety the *Solicitation for Applications for Medicare Prescription Drug Plan 2024 Contracts* and *2024 Part C – Medicare Advantage and 1876 Cost Plan Expansion Application* (both released on January 10, 2023) and any employer/union-only group waiver guidance issued by CMS, including, but not limited to, those requirements set forth in Chapter 12 of the Medicare Prescription Drug Benefit Manual and Chapter 9 of the Medicare Managed Care Manual (hereinafter referred to as “employer/union group waiver guidance”). This Addendum is deemed to incorporate any changes that are required by statute to be implemented during the term of this contract and any regulations implementing or interpreting such statutory provisions.
- B. In the event of any conflict between the employer/union-only group waiver guidance issued prior to the execution of the contract and this Addendum, the provisions of this Addendum shall control.
- C. This Addendum is in no way intended to supersede or modify sections 1851 through 1859 and 1860D-1 through D-43 of the Act or 42 CFR Parts 422 and 423, except as specifically waived in applicable employer/union-only group waiver guidance or in this Addendum. Failure to reference a statutory or regulatory requirement in this Addendum does not affect the applicability of such requirement to the MA Organization and CMS.
- D. The provisions of this Addendum apply to all employer/union-only group MA-PDs offered by MA Organization under this contract number. In the event of any conflict between the provisions of this Addendum and any other provision of the contract, the terms of this Addendum shall control.

ARTICLE II
FUNCTIONS TO BE PERFORMED BY THE MEDICARE ADVANTAGE
ORGANIZATION

- A. PROVISION OF MA BENEFITS
 - 1. MA Organization agrees to provide enrollees in each of its employer/union-only group MA-PDs the basic benefits (hereinafter referred to as “basic benefits”) as required under 42 CFR §§ 422.100 and 422.101 and, to the extent applicable, supplemental benefits under 42 CFR § 422.102 and as established in the MA Organization’s final benefit as approved by CMS.
 - 2. The requirements in section 1852 of the Act and 42 CFR § 422.100(c)(1) pertaining to the offering of benefits covered under Medicare Part A and in section 1851 of the Act and 42 CFR § 422.50(a)(1) pertaining to who may enroll in an MA-PD are waived for

employer/union-only group MA-PD enrollees who are not entitled to Medicare Part A, provided that the MA Organization enrolls Part B-only employer/union group members in a separate Part B-only employer/union-only “800 series” plan in accordance with CMS requirements.

3. For employer/union-only group MA-PDs offering non-calendar year coverage, MA Organization may determine basic and supplemental benefits (including deductibles, out-of-pocket limits, etc.) on a non-calendar year basis subject to the following requirements:
 - (a) Applications, plan benefit packages, and other submissions to CMS must be submitted on a calendar year basis; and
 - (b) CMS payments will be determined on a calendar year basis.
4. For employer/union-only group MA-PDs that have a monthly beneficiary rebate described in 42 CFR § 422.266:
 - (a) MA Organization may vary the form of rebate for a particular plan benefit package so that the total monthly rebate amount may be credited differently for each employer/union group to whom MA Organization offers the plan benefit package; and
 - (b) MA Organization must: retain documentation that supports the use of all of the rebates on a detailed basis for each employer/union group within the plan benefit package and must provide access to this documentation for inspection or audit by CMS (or its designee) in accordance with the requirements of 42 CFR §§ 422.503(d) and 422.504(d) and (e).
5. MA Organization agrees it shall obtain written agreements from each employer/union that provide that the employer/union may determine how much of an enrollee’s Part C monthly beneficiary premium it will subsidize, subject to the restrictions set forth in this paragraph. MA Organization agrees to retain these written agreements with employers/unions and must provide access to this documentation for inspection or audit by CMS (or its designee) in accordance with the requirements of 42 CFR §§ 422.503(d) and 422.504(d) and (e)
 - (a) The employer/union can subsidize different amounts for different classes of enrollees in the employer/union-only group health plan provided such classes are reasonable and based on objective business criteria, such as years of service, date of retirement, business location, job category, and nature of compensation (e.g., salaried v. hourly).
 - (b) The employer/union cannot vary the premium subsidy for individuals within a given class of enrollees.
 - (c) The employer/union cannot charge an enrollee for coverage provided under the employer/union-only group health plan more than the sum of his or her monthly

beneficiary premium attributable to basic benefits provided under the plan as defined in 42 CFR § 422.2 (i.e., all Medicare-covered benefits, except hospice services) and 100% of the monthly beneficiary premium attributable to his or her non-Medicare Part C benefits (if any). MA Organization must pass through the monthly payments described under 42 CFR § 422.304(a) received from CMS to reduce the amount that the enrollee pays (or, in those instances where the subscriber to or participant in the employer plan pays premiums on behalf of a Medicare eligible spouse or dependent, the amount the subscriber or participant pays).

B. PROVISION OF PRESCRIPTION DRUG BENEFIT

1. Except as provided in this subsection, MA Organization agrees to provide basic prescription drug coverage, as defined under 42 CFR § 423.100, under any employer/union-only group MA-PD, in accordance with Subpart C of 42 CFR Part 423.
 - (a) CMS agrees that MA Organization is not subject to the actuarial equivalence requirement set forth in 42 CFR § 423.104(e)(5) with respect to any employer/union-only group MA-PD and may provide less than the defined standard coverage between the deductible and initial coverage limit. MA Organization agrees that its basic prescription drug coverage under any employer/union-only group MA-PD will satisfy all of the other actuarial equivalence standards set forth in 42 CFR § 423.104, including but not limited to the requirement set forth in 42 CFR § 423.104(e)(3) that the plan has a total or gross value that is at least equal to the total or gross value of defined standard coverage.
 - (b) CMS agrees that nothing in this Addendum prevents MA Organization from offering prescription drug benefits in addition to basic prescription drug coverage to employers/unions. Such additional benefits offered pursuant to private agreements between MA Organization and employers/unions will be considered non-Medicare Part D benefits (“non-Medicare Part D benefits”). MA Organization agrees that such additional benefits may not reduce the value of basic prescription drug coverage (e.g., additional benefits cannot impose a cap that would preclude enrollees from realizing the full value of such basic prescription drug coverage).
 - (c) MA Organization agrees that enrollees of employer/union-only group MA-PDs shall not be charged more than the sum of his or her monthly beneficiary premium attributable to basic prescription drug coverage and 100% of the monthly beneficiary premium attributable to his or her non-Medicare Part D benefits (if any). MA Organization must pass through the direct subsidy payments received from CMS to reduce the amount that the beneficiary pays (or, in those instances where the subscriber to or participant in the employer plan pays premiums on behalf of an eligible spouse or dependent, the amount the subscriber or participant pays).
 - (d) MA Organization agrees that any additional non-Medicare Part D benefits offered to an employer/union will always pay primary to the subsidies provided by CMS to low-

income individuals under Subpart P of 42 CFR Part 423 (the “Low-Income Subsidy”).

2. MA Organization agrees enrollees of employer/union-only group MA-PDs are not permitted to make payment of premiums under 42 CFR § 423.293(a) through withholding from the enrollee’s Social Security, Railroad Retirement Board, or Office of Personnel Management benefit payment.
3. MA Organization agrees it shall obtain written agreements from each employer/union that provide that the employer/union may determine how much of an enrollee’s Part D monthly beneficiary premium it will subsidize, subject to the restrictions set forth in this subsection. MA Organization agrees to retain these written agreements with employers/unions, including any written agreements related to items (d) through (f) of this subsection, and must provide access to this documentation for inspection or audit by CMS (or its designee) in accordance with the requirements of 42 CFR §§ 423.504(d) and 423.505(d) and (e).
 - (a) The employer/union can subsidize different amounts for different classes of enrollees in the employer/union-only group MA-PD provided such classes are reasonable and based on objective business criteria, such as years of service, date of retirement, business location, job category, and nature of compensation (e.g., salaried v. hourly). Different classes cannot be based on eligibility for the Low-Income Subsidy.
 - (b) The employer/union cannot vary the premium subsidy for individuals within a given class of enrollees.
 - (c) The employer/union cannot charge an enrollee for prescription drug coverage provided under the plan more than the sum of his or her monthly beneficiary premium attributable to basic prescription drug coverage and 100% of the monthly beneficiary premium attributable to his or her non-Medicare Part D benefits (if any). The employer/union must pass through direct subsidy payments received from CMS to reduce the amount that the beneficiary pays (or, in those instances where the subscriber to or participant in the employer plan pays premiums on behalf of an eligible spouse or dependent, the amount the subscriber or participant pays).
 - (d) For all enrollees eligible for the Low-Income Subsidy, the low-income premium subsidy amount will first be used to reduce any portion of the MA-PD monthly beneficiary premium paid by the enrollee (or in those instances where the subscriber to or participant in the employer plan pays premiums on behalf of a low-income eligible spouse or dependent, the amount the subscriber or participant pays), with any remaining portion of the premium subsidy amount then applied toward any portion of the MA-PD monthly beneficiary premium (including any MA premium) paid by the employer/union. However, if the sum of the enrollee’s MA-PD monthly premium (or the subscriber’s/participant’s MA-PD monthly premium, if applicable) and the employer’s/union’s MA-PD monthly premiums (i.e., total monthly premium) is less than the monthly low-income premium subsidy amount, any portion of the low-

- income subsidy premium amount above the total MA-PD monthly premium must be returned directly to CMS. Similarly, if there is no MA-PD monthly premium charged the beneficiary (or subscriber/participant, if applicable) or employer/union, the entire low-income premium subsidy amount must be returned directly to CMS and cannot be retained by the MA Organization, the employer/union, or the beneficiary (or the subscriber/participant, if applicable).
- (e) If the MA Organization does not or cannot directly bill an employer/union-only group's beneficiaries, CMS will permit the MA Organization to directly refund the amount of the low-income premium subsidy to the LIS beneficiary. This refund must meet the above requirements concerning beneficiary premium contributions; specifically, that the amount of the refund not exceed the amount of the monthly premium contribution by the enrollee and/or the employer. In addition, the sponsor must refund these amounts to the beneficiary within a reasonable time period. However, under no circumstances may this time period exceed forty-five (45) days from the date that the MA Organization receives the low-income premium subsidy amount payment for that beneficiary from CMS.
 - (f) The MA Organization and the employer/union may agree that the employer/union will be responsible for reducing up-front the MA-PD premium contribution required for enrollees eligible for the Low-Income Subsidy. In those instances where the employer/union is not able to reduce up-front the MA-PD premiums paid by the enrollee (or, the subscriber/participant, if applicable), the MA Organization and the employer/union may agree that the employer/union shall directly refund to the enrollee (or subscriber/participant, if applicable) the amount of the low-income premium subsidy up to the MA-PD monthly premium contribution previously collected from the enrollee (or subscriber/participant, if applicable). The employer/union is required to complete the refund on behalf of the MA Organization within forty-five (45) days of the date the MA Organization receives from CMS the low-income premium subsidy amount payment for the low-income subsidy eligible enrollee.
 - (g) If the low-income premium subsidy amount for which an enrollee is eligible is less than the portion of the Part D monthly beneficiary premium paid by the enrollee (or subscriber/participant, if applicable), then the employer/union should communicate to the enrollee (or subscriber/participant) the financial consequences of the low-income subsidy eligible individual enrolling in the employer/union-only group MA-PD as compared to enrolling in another Part D plan with a monthly beneficiary premium equal to or below the low-income premium subsidy amount.
4. For non-calendar year employer/union-only group MA-PDs, MA Organization may determine benefits (including deductibles, out-of-pocket limits, etc.) on a non-calendar year basis subject to the following requirements:
- (a) Applications, formularies, and other submissions to CMS must be submitted on a calendar year basis;

- (b) The prescription drug coverage under the employer/union-only group MA-PD must be at least actuarially equivalent to defined standard coverage for the portion of its plan year that falls in a given calendar year. An employer/union-only group MA-PD will meet this standard if its prescription drug coverage is at least actuarially equivalent for the calendar year in which the plan year starts and no design change is made for the remainder of the plan year. In no event can MA Organization increase during the plan year the annual out-of-pocket threshold; and
 - (c) After an enrollee's incurred costs exceed the annual out-of-pocket threshold, the employer/union-only group MA-PD must provide prescription drug coverage that is at least actuarially equivalent to that provided under standard prescription drug coverage; eligibility for such coverage can be determined on a plan year basis.
- 5. MA Organization agrees to maintain administrative and management capabilities sufficient for the organization to organize, implement, and control the financial, marketing, benefit administration, and quality assurance activities related to the delivery of Part D services as required by 42 CFR § 423.505(b)(25).
- 6. MA Organization agrees to provide applicable beneficiaries applicable discounts on applicable drugs in accordance with the requirements of 42 CFR Part 423 Subpart W.
- 7. MA Organization agrees to pass an essential operations test prior to the start of the benefit year. This provision only applies to new sponsors that have not previously entered into a Part D contract with CMS and neither it, nor another subsidiary of the applicant's parent organization, is offering Part D benefits during the current year. **[42 CFR § 423.505(b)(27)]**

C. CMS ENROLLMENT REQUIREMENTS

- 1. MA Organization agrees to restrict enrollment in an employer/union-only group MA-PD to those individuals eligible for the employer's/union's employment-based group coverage.
- 2. MA Organization is not subject to the requirement to offer the employer/union-only group MA-PD to all Medicare eligible beneficiaries residing in its service area as set forth in 42 CFR § 422.50.
- 3. If an employer/union elects to enroll individuals eligible for its employer/union-only group MA-PDs through a group enrollment process, MA Organization is not subject to the individual enrollment requirements set forth in 42 CFR § 422.60. MA Organization agrees that it will comply with all the requirements for group enrollment contained in CMS guidance, including those requirements contained in the MA Enrollment and Disenrollment Guidance.

D. BENEFICIARY PROTECTIONS

1. Except as provided in II.D.2., CMS agrees that, with respect to any employer/union-only group MA-PDs, MA Organization is not subject to the information requirements set forth in 42 CFR § 423.48 and the prior review and approval of marketing materials and election forms requirements set forth in 42 CFR Part 422 Subpart V and Part 423 Subpart V. MA Organization is subject to all other disclosure and dissemination requirements contained in 42 CFR §§ 422.111 and 423.128 and that are conditions on any waivers for employer group waiver plans (EGWPs) provided in CMS guidance in Chapter 9 of the Medicare Managed Care Manual.
2. CMS agrees that the disclosure requirements set forth in 42 CFR § 422.111 do not apply with respect to any employer/union-only group health plan when the employer/union is subject to alternative disclosure requirements (e.g., the Employee Retirement Income Security Act of 1974 (“ERISA”)) and fully complies with such alternative requirements. As a condition of this waiver, MA Organization must:
 - (a) Provide summary plan descriptions and all other beneficiary communications required by the alternative disclosure requirements on a timely basis;
 - (b) Provide these materials to CMS, upon request, in the event of beneficiary complaints, or for any other reason CMS requests, so that CMS may ensure the information accurately and adequately informs Medicare beneficiaries about their rights and obligations under the plan; and
 - (c) Retain these dissemination materials and provide access to these written materials to CMS (or its designees) in accordance with 42 CFR §§ 422.503(d) and 422.504(d) and (e).
3. MA Organization agrees to comply with the conditions of this waiver contained in employer/union-only group waiver guidance in Chapter 9 of the Medicare Managed Care Manual.

E. SERVICE AREA, FORMULARIES AND PHARMACY ACCESS

1. CMS agrees that Local employer/union-only group MA-PDs that provide coverage to individuals in any part of a State may offer coverage to retirees eligible for the employer/union-only group MA-PD throughout that State provided the MA Organization has properly designated (in accordance with CMS operational requirements) its employer/union-only group service areas in CMS’s Health Plan Management System (HPMS) as including those areas outside of its individual service area(s) to allow for enrollment of these beneficiaries in CMS enrollment systems. CMS also agrees that employer/union-only group Regional MA-PDs that provide coverage to individuals in any part of a Region can offer coverage to retirees eligible for the employer/union-only group MA-PD throughout that Region.

2. Notwithstanding 42 CFR § 422.50(a)(3), CMS agrees that those Local Coordinated Care Health MA-PDs that provide coverage to individuals in any part of a State can offer coverage to beneficiaries eligible for the employer/union-only group plan that reside outside of the State provided it meets the conditions of this waiver designated in Chapter 9 of the Medicare Managed Care Manual.
3. CMS agrees that Private Fee-for-Service employer/union-only group MA-PDs may offer coverage beyond their designated individual service areas to all enrollees of a particular employer/union-only group plan, regardless of where they reside in the nation, provided the MA Organization has properly designated (in accordance with CMS operational requirements) its employer/union-only group service area in CMS's HPMS as including areas outside of its individual plan service area(s) to allow for the enrollment of these beneficiaries in CMS enrollment systems and provided it meets the conditions of this waiver designated in the Chapter 9 of the Medicare Managed Care Manual.
4. MA Organization agrees to utilize, as the formulary for any employer/union-only group MA-PD, a base formulary that has received approval from CMS, in accordance with CMS formulary guidance, for use in a non-group MA-PD offered by MA Organization. Except as set forth in 42 CFR § 423.120(b) and sub-regulatory guidance, MA Organization may not modify the approved base formulary used for any employer/union-only group MA-PD by removing drugs, adding additional utilization management restrictions, or increasing the cost-sharing status of a drug from the base formulary. Enhancements that are permitted to the base formulary include adding additional drugs, removing utilization management restrictions, and improving the cost-sharing status of drugs.
5. For any employer/union-only group MA-PD, MA Organization agrees to provide Part D benefits in the plan's service area utilizing a pharmacy network and formulary that meets the requirements of 42 CFR § 423.120, with the following exception: CMS agrees that the retail pharmacy access requirements set forth in 42 CFR § 423.120(a)(1) do not apply when the employer/union-only group MA-PD's pharmacy network is sufficient to meet the needs of its enrollees throughout the employer/union-only group MA-PD's service area, as determined by CMS. CMS may periodically review the adequacy of the employer/union-only group MA-PD's pharmacy network and require the employer/union-only group MA-PD to expand access if CMS determines that such expansion is necessary in order to ensure that the employer/union-only group MA-PD's network is sufficient to meet the needs of its enrollees.

F. PAYMENT TO MA ORGANIZATION

1. MA Organization is not required to submit a Part C bid pricing tool; MA Organization acknowledges and agrees that payment under Part C of Title XVIII for Part A and B services, including rebates under section 1854 of the Social Security Act, provided to enrollees in its employer/union-only group MA-PDs will be governed by the CY 2024 Rate Announcement issued on March 31, 2023. Except as provided in this subsection, payment under this Addendum for Part D benefits will be governed by the rules of

Subparts G and J of 42 CFR Part 423.

- (a) MA Organization acknowledges that the risk sharing, plan entry, and retention bonus provisions of section 1858 of the Act and 42 CFR § 422.458 shall not apply to any employer/union-only group Regional MA-PDs.
- (b) MA Organization acknowledges that the risk-sharing payment adjustment described in 42 CFR § 423.336 is not applicable for any employer/union-only group MA-PD enrollee.
- (c) MA Organization is not required to submit a Part D bid and will receive a monthly direct subsidy under 42 CFR Part 423 Subpart G for each employer/union-only group MA-PD enrollee equal to the amount of the national average monthly bid amount (not its approved standardized bid), adjusted for health status (as determined under 42 CFR § 423.329(b)(1)) and reduced by the base beneficiary premium for the employer/union-only group MA-PD, as adjusted under 42 CFR § 423.286(d)(3), if applicable. The further adjustments to the base beneficiary premium contained in 42 CFR § 423.286(d)(1) and (2) do not apply.
- (d) MA Organization will not receive monthly reinsurance payment or low-income cost-sharing subsidy amounts in the manner set forth in 42 CFR §§ 423.329(c)(2)(i) and 423.329(d)(2)(i) for any employer/union-only group MA-PD enrollee, but instead will receive the full reinsurance and low-income cost-sharing subsidy payments following the end of year reconciliation as described in 42 CFR §§ 423.329(c)(2)(ii) and 423.329(d)(2)(ii), respectively.

2. For non-calendar year plans:

- (a) CMS payments are determined on a calendar year basis;
- (b) Low-income subsidy payments and reconciliations are determined based on the calendar year for which the payments are made; and
- (c) MA Organization acknowledges that it does not receive reinsurance payments under 42 CFR § 423.329(c).

G. MA ORGANIZATION REIMBURSEMENT TO PHARMACIES [42 CFR §§ 423.505(b)(21) and 423.520]

- 1. If an MA Organization uses a standard for reimbursement of pharmacies based on the cost of a drug, MA Organization will update such standard not less frequently than once every 7 days, beginning with an initial update on January 1 of each year, to accurately reflect the market price of the drug.
- 2. If the source for any prescription drug pricing standard is not publicly available, MA Organization will disclose all individual drug prices to be updated to the applicable

pharmacies in advance for their use for the reimbursement of claims.

3. MA Organization will issue, mail, or otherwise transmit payment with respect to all claims submitted by pharmacies (other than pharmacies that dispense drugs by mail order only, or are located in, or contract with, a long-term care facility) within 14 days of receipt of an electronically submitted claim or within 30 days of receipt of a claim submitted otherwise.
4. MA Organization must ensure that a pharmacy located in, or having a contract with, a long-term care facility will have not less than 30 days (but not more than 90 days) to submit claims to MA Organization for reimbursement.

H. PUBLIC HEALTH SERVICE ACT

Pursuant to § 13112 of the American Recovery and Reinvestment Act of 2009 (ARRA), MA Organization agrees that as it implements, acquires, or upgrades its health information technology systems, it shall utilize, where available, health information technology systems and products that meet standards and implementation specifications adopted under § 3004 of the Public Health Service Act, as amended by § 13101 of the ARRA.

I. CMS COMPLIANCE ACTIONS

CMS may determine that MA Organization is out of compliance with a Part D requirement and take compliance actions as described in 42 CFR § 423.505(n) or issue intermediate sanctions as defined in 42 CFR Part 423 Subpart O. [**42 CFR § 423.505(n)**]

In witness whereof, the parties hereby execute this Addendum.

This document has been electronically signed by:

FOR THE MA ORGANIZATION

<<CONTRACTING_OFFICIAL_NAME >>

Contracting Official Name

<<DATE_STAMP>>

Date

<<CONTRACT_NAME>>

Organization

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FOR THE CENTERS FOR MEDICARE & MEDICAID SERVICES

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