

(1) The beneficiary moved outside his or her endorsed program's service area;

(2) The beneficiary changed his or her residence to or from a long-term care facility;

(3) The beneficiary enrolled in or disenrolled from a Part C plan or a Medicare cost plan; or

(4) Other exceptional circumstances as determined by the Secretary.

In addition, we will permit beneficiaries to enroll in new endorsed programs if their prior endorsed program terminates or they enroll in or disenroll from a reasonable cost reimbursement plan.

We consider a discount card enrollee who disenrolls for reasons other than those provided above to have left the Medicare Drug Discount Card program entirely, as provided in § 403.810(d) of our regulations. As permitted under sections 1860D–31(c)(1)(D)(i) and (f)(2)(B) of the Act and as provided in our regulations at § 403.811(b)(4), beneficiaries voluntarily disenrolling from an endorsed program in 2004 other than for one of the above reasons, or who are involuntarily disenrolled, must re-apply as if they were new to the program for the Medicare Drug Discount Card Program for 2005 if they wish to enroll in another endorsed program. The earliest an individual may re-apply for the Medicare Prescription Drug Discount Card is during the annual coordinated election period. Because an individual may only enroll in one endorsed card program in each calendar year, as provided in § 403.811(a)(7) of our regulations, beneficiaries voluntarily disenrolling from an endorsed program in 2005, other than for one of the above reasons, or who are involuntarily disenrolled, cannot reenroll in an endorsed card program. Individuals disenrolling for any reason during the transition period cannot re-enroll.

With respect to beneficiaries enrolling in or disenrolling from a Part C plan or reasonable cost reimbursement plan, section 1860D–31(c)(1)(C)(iii) of the Act permits but does not mandate that we allow these beneficiaries to disenroll from their current endorsed program and enroll in another endorsed program during a special election period. Beneficiaries enrolling in or disenrolling from a Medicare managed care plan offering an exclusive card program will be automatically disenrolled from their endorsed programs, as they will no longer be eligible for such endorsed programs under § 403.814(b)(6)(i) of our regulations. We believe that Medicare beneficiaries entering and leaving a Part C plan or a Medicare cost plan without an exclusive card program will wish to

choose an endorsed program based on the benefit package under their current health coverage, including other Part C plans and Medicare cost plans, and that this benefit package may change when beneficiaries enroll in or disenroll from a Part C plan or Medicare cost plan. To promote beneficiaries' coordination of their health benefits, we will allow beneficiaries enrolling in or disenrolling from any Part C plan or a Medicare cost plan to disenroll from their current endorsed program and enroll in another endorsed program during a special election period.

We will automatically disenroll beneficiaries from an endorsed program if their endorsed program terminates, the beneficiary enrolls in or disenrolls from a Medicare managed care plan offering an exclusive card program, or the beneficiary elects another endorsed program during the Annual coordinated election period. All other beneficiaries wishing to disenroll from their endorsed program must notify their endorsed sponsor of their intent, and, if they wish to enroll in another endorsed program during a special election period, provide the endorsed sponsor their reason for disenrollment.

As required in section 1860D–31(c)(1)(D)(ii) of the Act, and as specified in § 403.811(b)(6) of our regulations, an endorsed sponsor may involuntarily disenroll any discount card enrollee, other than a transitional assistance enrollee, if the discount card enrollee fails to pay any annual enrollment fee charged by the endorsed sponsor.

As provided in § 403.811(b)(7) of our regulations and as discussed under section II.C.6 of this document, a discount card enrollee who changes endorsed programs during a special election period may be charged a separate annual enrollment fee by the endorsed sponsor operating the newly selected endorsed program.

Under section 1860D–31(g)(2)(E) of the Act and § 403.811(b)(5) of our regulations, transitional assistance enrollees who disenroll from their endorsed programs generally will forfeit any transitional assistance remaining available to them at the time of their disenrollment. Transitional assistance enrollees who disenroll during the first year of the program and are ineligible for a special election period must re-apply and re-qualify for transitional assistance for the second year of the program should they wish to receive additional transitional assistance. The earliest an individual may re-apply for the Transitional Assistance Program for 2005 is through their re-enrollment in an endorsed card program during the

annual coordinated election period. Any transitional assistance provided to these individuals during the second year of the program may be prorated depending on when they re-apply for transitional assistance in accordance with § 403.808(b) of our regulations.

Section 1860D–31(g)(2)(E) of the Act gives the Secretary the discretion to identify exceptions to this policy. As specified in § 403.808(f) of our regulations, we will permit transitional assistance enrollees who change their endorsed program during the annual coordinated election period or who enroll in another endorsed program during a special election period to carryover to their newly selected endorsed program any transitional assistance remaining available to them at the time of their disenrollment from their former endorsed program.

#### *B. General Rules About Solicitation, Application, and Medicare Endorsement Period*

We will solicit applications from entities seeking to offer beneficiaries negotiated prices on covered discount card drugs. We will endorse applicants' drug discount card programs that meet the requirements discussed below, and will permit successful applicants to market and label their programs as "Medicare-approved."

Although under section 1860D–31(h)(2)(D)(ii) of the Act we have the discretion to limit the number of endorsed sponsors in a State to two, we will endorse all applicants that, together with their subcontractors and other entities with which they have entered into a legal arrangement to operate an endorsed program (hereinafter collectively referred to as "subcontractors"), meet or exceed the requirements for endorsement and sign our endorsed sponsor contract. We will also select a limited number of applicants for special endorsement. Endorsed sponsors receiving special endorsement are, for the purpose of fulfilling their responsibilities as special endorsed sponsors, exempt from meeting certain conditions of endorsement provided they agree to:

- Apply transitional assistance toward the cost of covered discount card drugs obtained from pharmacies serving residents of skilled nursing facilities and nursing facilities (hereafter referred to as "long-term care pharmacies") and/or pharmacies serving American Indians or Alaska Natives (AI/ANs) operated by the Indian Health Service, Indian tribe and tribal organizations, or urban Indian organizations (hereinafter referred to as "I/T/U pharmacies"); and/or