

and authorize the use of a Medicare-Endorsed Prescription Drug Card emblem. This emblem will be used to communicate that Medicare has endorsed a stable and reputable drug card. We will develop standards for use of the emblem to be included in the Information and Outreach Guidelines.

In addition to answering beneficiary questions about the drug discount card program, the 1-800-MEDICARE call center will also log and help triage discount card members' complaints for resolution through the complaints tracking process discussed in greater detail under section II.F. of this document.

Physicians and pharmacists are an important source of information for discount card eligible beneficiaries. Although not required by the legislation, we also plan to conduct provider outreach activities through a variety of channels to make physicians and pharmacists aware of this program and to educate them about the specific features. We hope that increased physician and pharmacist awareness will bolster beneficiary awareness and improve the quality of their card choice and their ultimate cost-savings. We also believe that physician and pharmacist promotion of the program will encourage low-income individuals to enroll and access the available transitional assistance.

F. CMS Oversight and Monitoring

1. General

Consistent with section 1860D-31(i)(2) of the Act, we will develop a drug discount card program oversight system to ensure compliance with program requirements.

We will develop and operate a complaint (also referred to as "grievance") tracking system to monitor and manage complaints that are not satisfactorily resolved through the endorsed sponsors' customer complaints process. In accordance with section 1860D-31(d)(1)(D) of the Act, we will develop a system for collecting beneficiary complaints through our 1-800-MEDICARE toll-free telephone number. This system will likely be augmented by a system for gathering and responding to complaints acquired through the <http://www.medicare.gov> Web site as well as through Congressional and other types of correspondence. We will also analyze the reports provided by endorsed sponsors on their program performance. In addition, we plan to conduct mystery shopping and a beneficiary satisfaction survey. We plan to use these various sources of information to observe

possible trends that indicate less than satisfactory performance, significant departures from the marketed card program offering, or fraud or other violations of State and Federal laws. We anticipate tracking complaints related to—

- Deceptive marketing and enrollment practices;
- Violations of the confidentiality provisions;
- Persistent inconsistencies in formulary or pricing information compared to those available at the point of sale;
- Inadequate endorsed sponsor customer service;
- Persistent problems with pharmacy network services or providers;
- Denying transitional assistance to qualified beneficiaries;
- Arbitrary variations in negotiated prices offered; and
- Any additional changes that put the endorsed sponsor at risk of failing to continue to meet the endorsement requirements.

We will also refer complaints to Federal and State authorities when violations of laws under the jurisdictions of these agencies are in question.

a. Marketing and Enrollment Policies

We will also review information from our own enrollment systems for data that may indicate endorsed sponsors' failure to comply with the program's marketing or enrollment policies. We will examine claims and pricing data reported by endorsed sponsors to determine whether enrollees are receiving the savings promised through their discount cards. Finally, we will review the grievance logs submitted by each of the endorsed sponsors to examine trends in types of complaints and to ascertain whether endorsed sponsors are responding appropriately to enrollee service complaints.

b. Transitional Assistance Payments

We will also monitor the allocation and tracking of the annual transitional assistance payments for eligible enrollees. As a qualification for endorsement, under section 1860D-31(h)(1)(C) of the Act, endorsed sponsors are required to have satisfactory arrangements to account for the transitional assistance. To ensure that transitional assistance is made available on behalf of the proper beneficiaries and that it is used only to purchase covered discount card drugs, we will contract with auditors to analyze select claims and other information maintained by the sponsors related to the payment and tracking of

the transitional assistance. As necessary, we will exercise our authority, under section 1860D-31(i)(2) of the Act, to conduct audits and to inspect the records of endorsed sponsors related to the operation of the drug discount card program.

2. Intermediate Sanctions

Under section 1860D-31(i)(3) of the Act, we may impose intermediate sanctions against endorsed sponsors in the form of suspended marketing and enrollment activities in a manner similar to the sanctioning process under Part C. In § 403.820(a)(3), we have identified the following bases related to significant performance requirements for the imposition of intermediate sanctions—

(1) Substantial failure to maintain an adequate contracted retail pharmacy network;

(2) Substantial failure to comply with our information and outreach guidelines;

(3) Substantial failure to provide enrollees with negotiated prices consistent with information provided on our price comparison Web site and/or reported by the sponsor;

(4) Except during the week of November 15, 2004 (which coincides with the beginning of the annual coordinated election period), substantial failure to ensure that the negotiated price for a covered discount card drug does not exceed an amount proportionately greater than the change in the drug's average wholesale price (AWP), and/or an amount proportionate to changes in the endorsed sponsor's cost structure (including material changes to any discounts, rebates, or other price concessions the endorsed sponsor receives from a pharmaceutical manufacturer or pharmacy);

(5) Charging card program enrollees additional fees beyond the \$30 enrollment fee;

(6) Charging transitional assistance enrollees any enrollment fee;

(7) Charging a coinsurance rate higher than 10 percent for those above 100 percent of the poverty line and up to 135 percent of the poverty line, or charging a coinsurance rate higher than 5 percent for those at or below 100 percent of the poverty line;

(8) Substantial failure to properly administer the transitional assistance funding for transitional assistance enrollees;

(9) Substantial failure to provide us or our designees with requested information related to the endorsed sponsor's drug card operations;

(10) Substantial failure to comply with the requirements of the