

SPAP. Should this or any other requirement for endorsement conflict with the endorsed sponsor's arrangement with the State under its SPAP, the endorsed sponsor and State would have to resolve this conflict. Alternatively, a State could coordinate its SPAP with the Medicare drug discount card program by contracting with an endorsed sponsor to administer the SPAP and designing the SPAP benefits so as to wrap around the benefits offered under the Medicare drug discount card program, provided that the endorsed sponsor complies with all applicable requirements of section 1860D–31 of the Act and our regulations. Coordination between a SPAP and an endorsed program could promote their offering a seamless outpatient drug benefit to beneficiaries enrolled in both the SPAP and Medicare drug discount card program.

## 2. Optional State Payment of Enrollment Fee

Section 1860D–31(c)(2)(F)(i) of the Act specifies that the Secretary will establish an arrangement under which a State voluntarily may provide for payment of some or all of the enrollment fee for some or all discount card enrollees in the State who are not transitional assistance enrollees. The portion of the enrollment fee paid by the State and the category of discount card enrollees (other than transitional assistance enrollees) entitled to State payment of all or some of their enrollment fees is left to a State's discretion. Any enrollment fee paid in whole or part by a State must be paid directly to the endorsed sponsor. We want to provide States flexibility in designing these arrangements to address circumstances particular to that State. Therefore, rather than prescribe a single, specific method for States to work in partnership with endorsed sponsors to pay the enrollment fee on behalf of discount card enrollees, we simply provide at § 403.815(a)(1) of our regulations that States may enter into payment arrangements with endorsed sponsors to provide payment of some or all of the enrollment fee for discount card enrollees, provided the enrollment fee is paid directly by the State to the endorsed sponsor.

Section 1860D–31(c)(2)(F)(ii) of the Act specifies that Federal matching payments will not be available under titles XIX and XXI for State expenditures for enrollment fees under the Medicare drug discount card program. To implement this requirement, we are setting forth a new provision at § 403.815(a)(2) of our

regulations that mirrors the statutory provision.

## 3. Optional State Payment of Coinsurance

As discussed above, under section 1860D–31(g)(1)(B) of the Act, available transitional assistance may be applied toward 90 or 95 percent of the cost of a covered discount card drug obtained under the Medicare drug discount card program, with the transitional assistance enrollees responsible for a 5 or 10 percent coinsurance amount, depending on their income, unless the pharmacy waives those coinsurance amounts. Section 1860D–31(g)(4)(B)(i) of the Act specifies that the Secretary must establish an arrangement under which a State may provide for payment of some or all of these coinsurance amounts for some or all transitional assistance enrollees residing in the State. If a State will pay all or some of these coinsurance amounts, the payment must be paid directly by the State to the pharmacy involved. We want to allow States flexibility in the design of these arrangements to address circumstances particular to that State. Therefore, rather than prescribe a single, specific method for States to work in partnership with pharmacies to pay coinsurance on behalf of transitional assistance enrollees, we are providing at § 403.815(b)(1) of our regulation that States may enter into payment arrangements with pharmacies to provide payment of some or all of the coinsurance for transitional assistance enrollees, provided the coinsurance is paid directly by the State to the pharmacy involved. We leave it to the State's discretion whether it will pay all or a portion of these coinsurance amounts, as well as the category of transitional assistance enrollees entitled to State payment of all or some of their coinsurance.

Under section 1902(a)(10)(E)(i) of the Act, States are required to pay the coinsurance obligations (as defined in section 1905(p)(3)(B) of the Act) for certain Medicare beneficiaries, with the Federal government, in turn, reimbursing States for a portion of these payment amounts. However, section 1860D–31(g)(4)(B)(ii) of the Act provides that any State expenditures for the coinsurance of transitional assistance enrollees will not be considered State expenditures for which Federal matching payments are available under titles XIX and XXI. To implement this requirement, we are setting forth a provision at § 403.815(b)(2) of our regulations that mirrors the statutory provision.

Section 1860D–31(g)(4)(B)(iii) of the Act provides that the coinsurance liability of transitional assistance enrollees is not a cost-sharing obligation set forth in section 1905(p)(3)(B) of the Act. This means that States are not required to pay the coinsurance liability incurred by transitional assistance enrollees who are also Qualified Medicare Beneficiaries (QMBs) (as defined in section 1905(p)(1) of the Act) under the Medicaid program. To implement this requirement, we are setting forth a provision at § 403.815(c) of our regulations that mirrors the statutory provision.

## 4. State Data

As discussed in section II.A.1. of this document, under section 1860D–31(b)(1) of the Act and § 403.810(a)(2) of our regulations, beneficiaries residing in the 50 States or the District of Columbia with outpatient prescription drug coverage under Title XIX (Medicaid) or a section 1115 waiver demonstration are ineligible for the Medicare drug discount card program. As discussed in section II.A.2 of this document, we will verify beneficiaries' eligibility for the program. To perform this function, we require data from the 50 States and the District of Columbia that will allow us to identify those Medicare beneficiaries eligible under Medicaid or a section 1115 waiver demonstration for outpatient drug coverage. Section 1860D–31(f)(3)(C)(ii) of the Act provides the 50 States and the District of Columbia must provide to us information relating to our verification process under the program, in the manner specified by us, as a condition of the provision of Federal financial participation to a State under Title XIX. Section 1935(a)(1) of the Act similarly conditions receipt of Federal financial assistance under Title XIX upon a State's provision this data. Finally, section 1902(a)(66) of the Act provides that a State plan under Title XIX must provide for making eligibility determinations under section 1935(a) of the Act, which as previously noted includes the provision of eligibility data to us. We will specify the data we require and the manner in which states should provide us the data in a future communication to the State Medicaid directors.

Section 1935(a)(3) of the Act provides that amounts expended by a State in carrying out 1935(a) of the Act, including the provision of data related to our eligibility process, are State expenditures reimbursable under the "appropriate paragraph" of section 1903(a) of the Act, which sets forth the Federal share of State expenditures