

§ 423.2524 Bidding and payments to LI NET sponsor.

(a) *Source of payments.* CMS payments under this section are made from the Medicare Prescription Drug Account.

(b) *Submission of bids and related information.* (1) The submission of LI NET bids and related information must follow the requirements and limitations in § 423.265(b), (c), (d)(1), (d)(2)(i), (ii), (iv), and (v), (d)(4) and (6), and (e).

(2) The review, negotiation, and approval of the LI NET bid would follow the provisions in § 423.272(a) and (b)(1) and (4).

(3) Basic rule for bid. The bid must reflect the LI NET sponsor's estimate of its revenue needs for Payment Rates A and B per paragraph (c) of this section.

(c) *Monthly payments.* CMS provides advance monthly LI NET payments equal to the sum of Payment Rates A and B as established in the LI NET sponsor's approved bid, as outlined in paragraph (b) of this section. LI NET payments are made on a prospective per-member, per-month basis.

(1) Payment Rate A is an annual rate of payment for projected administrative costs. An annual percentage-based cap on Payment Rate A limiting the year over year increase to Payment Rate A is set as part of the bid review and negotiation under § 423.272(a).

(i) For the 2024 plan year, the LI NET sponsor includes in its bid the assumption that Payment Rate A cannot exceed a 2% increase from the prior year's Payment A, which is a figure CMS will provide to the LI NET sponsor.

(ii) For the 2025 plan year and subsequent plan years, the LI NET sponsor will specify its assumption for any increase needed to the prior year's Payment Rate A, submitting justification to CMS in their bid if the cap exceeds 2%.

(2) Payment Rate B reflects the projected net costs of the Part D drugs dispensed to individuals who receive the LI NET benefit.

(d) *Payment reconciliation and risk corridors*—(1) *Reconciliation.* CMS conducts LI NET payment reconciliation each year for Payment Rates A and B after the annual PDE data submission deadline has passed and makes the result-

ing payment adjustment consistent with § 423.343(a).

(2) *Risk corridors.* As part of LI NET payment reconciliation, CMS will apply risk corridors to Payment Rate B as follows:

(i) There will be no risk sharing in the symmetrical 1% risk corridor around the target amount as defined in § 423.308.

(ii) There will be symmetrical risk sharing of 0.1% beyond the 1% risk corridor.

(iii) To carry out this section, § 423.336(c) applies to LI NET.

(e) *Reopening.* The LI NET contract will be subject to payment reopenings per § 423.346 as applicable.

(f) *Payment appeals.* The LI NET sponsor can appeal under § 423.350.

(g) *Overpayments.* The overpayment provisions at §§ 423.352 and 423.360 apply to LI NET.

§ 423.2536 Waiver of Part D program requirements.

CMS waives the following Part D program requirements for the LI NET program:

(a) *General information.* Paragraphs (1) and (3)(B) of section 1860D-4(a) of the Act (relating to dissemination of general information; availability of information on changes in formulary through the internet).

(b) *Formularies.* Subparagraphs (A) and (B) of section 1860D-4(b)(3) of the Act (relating to requirements on development and application of formularies; formulary development) and formulary requirements in §§ 423.120(b) and 423.128(e)(5) and (6).

(c) *Cost control and quality improvement requirements.* Provisions under subpart D of this part, including requirements about medication therapy management, are waived except for the provisions in § 423.2508(c)(1) through (5).

(1) Section 423.153(b) and (c) for dispensing and point-of-sale safety edits;

(2) Section 423.154 for appropriate dispensing of prescription drugs in long-term care facilities;

(3) Sections 423.159 and 423.160 for electronic prescribing, excepting the requirements pertaining to formulary standards in § 423.160(b)(5);

(4) Section 423.162 for QIO activities; and