POLICY AND PROCEDURE	
Title: Part D Direct and Indirect Remuneration (DIR)	
Primary policy owner: Pharmacy	**Policy #:** PH46
Impacted/Secondary policy owner: Select the department(s) that are responsible for compliance with all, or a portion of the policy or procedure as outlined	
1) ☐All Departments 2) ☐Behavioral Health & Social Services (BH/SS) 3) ☐ Benefits Administration (BA) 4) ☐ Case Management (CM) 5) ☐ Claims (CLMS) 6) ☐ Community Marketplace & Member Engagement (MAR) 7) ☒ Compliance (CMP/HPA) 8) ☐ Configuration (CFG) 9) ☐ Provider Contracting (CONT) 10) ☐ Cultural & Linguistics (CL) 11) ☐ Customer Service (CS)	12) ☐ Facilities (FAC) 13) ☒ Finance (FIN) 14) ☐ Human Resources (HR) 15) ☐ Information Technology / Core Systems (IT) 16) ☒ Pharmacy (PH) 17) ☐ Provider Networks (PRO) 18) ☐ QI Health Equity (GRV/HE/HEQ/PHM/QM) 19) ☐ Utilization Management (UM) 20) ☐ Procurement (PRM) 21) ☐ Administration (SAF/BC/EM) 22) ☐ Medical Management (MM)
Product Type: ☐Medi-Cal ☒D-SNP	**Supersedes Policy Number:** *NA*

I. PURPOSE

To ensure Health Plan of San Joaquin and Mountain Valley Health Plan ("Health Plan") is in compliance with all contractual requirements, applicable federal and state laws, and regulations for responding, preventing, reviewing, and investigating all reported and identified non-

compliance. Health Plan Workforce and Delegates apply rebates and other price concessions at the point-of-sale (POS) and submit Part D Direct and Indirect Remuneration Reports (DIR) to Center for Medicare and Medicaid Services (CMS) in compliance with federal and state regulations and other program requirements.

II. POLICY

A. Health Plan must, through its Pharmacy Benefits Manager (PBM), apply rebates and other price concessions (referred to in this policy as "remuneration") at the Point-of-Sale (POS).
B. When the PBM applies remuneration at the POS, any POS-remuneration must first be applied to the ingredient cost. Then, if any POS-remuneration amount remains after the ingredient cost has been eliminated, that amount must be applied to the dispensing fee, vaccine administration fee, (in that order) after the ingredient cost.
C. The negotiated price must reflect the lowest possible reimbursement a network pharmacy will receive for a drug and include all pharmacy price concessions.
D. For payment reconciliation, Health Plan must report all applicable remuneration for covered Part D drugs on the DIR for Payment Reconciliation, including the actual remuneration amounts that were estimated and applied at the POS.

III. PROCEDURE

A. Rebate processing from pharmacy manufacturers, as well as, negotiation and processing of pharmacy price concessions, if any, to the PBM.
B. Throughout the year, the PBM provides Health Plan reports showing the details of the remunerations received from the manufacturers or pharmacies, and other relevant financial information that could impact Part D drug costs.
C. The PBM prepares the CMS mandated annual Summary and Detailed DIR based on the latest CMS DIR reporting guidance. The reports shall be provided to Health Plan in advance of the submission deadline to allow for quality control review.

D. Health Plan's Finance Department reviews and validates the financial information on the reports before submission to CMS.
E. Health Plan submits the annual DIR Submission via Health Plan Management System (HPMS).
F. Health Plan uploads the Summary and Detailed DIR based on the reports prepared by the PBM.
G. Health Plan submits an attestation for each DIR. This attestation certifies that information provided is accurate to the plan's best knowledge, information, and belief.
H. Health Plan follows latest CMS guidance provided through HPMS regarding attestation submissions, including the submission deadline.

IV. ATTACHMENT(S)

A. Glossary of Terms Link

V. REFERENCES

A. Definition of Direct and Indirect Remuneration (DIR): 42 CFR 423.308
B. Section 1860D-15(f)(1)(A) of the Social Security Act
C. https://www.cms.gov/files/document/2022dirguidance04122023g.pdf
D. State Medicaid Agency Contract (SMAC)
E. Health Plan Contract with Centers for Medicare & Medicaid Services (CMS)

VI. REVISION HISTORY

Version*	Revision Summary	Date
001		
002		
003		
004		
Initial Effective Date: 09/24/2025		
Published Date:09/29/2025		

VII. Committee Review and Approval To Be Completed by Compliance

Committee Name	Version	Date
Compliance Committee	001	09/24/2025
• Privacy & Security Oversight Committee		
• Program Integrity Committee		
• Audits & Oversight Committee		
• Policy Review Committee		
Quality Improvement Health Equity Committee (QIHEC)		
• Quality Operations Committee		
• Grievance Committee		

VIII. REGULATORY AGENCY APPROVALS

Department	Reviewer	Version	Date
Department of Healthcare Services (DHCS)			
Department of Managed Care (DMHC)			

IX. *Approval signature**

Signature	Name Title	Date
	PRC Chairperson	
	Policy Owner	
	Department Executive	
	Chief Executive Officer	

*Signatures are on file, will not be on the published copy