

§ 423.506 Effective date and term of contract.

(a) *Effective date.* The contract is effective on the date specified in the contract between the Part D plan sponsor and CMS.

(b) *Term of contract.* Each contract is for a period of 12 months.

(c) *Qualification to renew a contract.* In accordance with § 423.507 of this subpart, an entity is determined qualified to renew its contract annually only if—

(1) CMS informs the Part D plan sponsor that it is qualified to renew its contract; and

(2) The Part D plan sponsor has not provided CMS with a notice of intention not to renew.

(d) *Renewal of contract contingent on reaching agreement on the bid.* Although a Part D plan sponsor may be determined qualified to renew its contract under this section, if the sponsor and CMS cannot reach agreement on the bid under subpart F, no renewal takes place, and the failure to reach agreement is not subject to the appeals provisions in subpart N of this part.

(e) The provisions of this section do not apply to fallback entities.

§ 423.507 Nonrenewal of contract.

(a) *Nonrenewal by a Part D plan sponsor.* (1) Except for fallback entities, a Part D plan sponsor may elect not to renew its contract with CMS, effective at the end of the term of the contract for any reason provided it meets the timeframes for doing so set forth in paragraphs (a)(2) and (a)(3) of this section.

(2) If a Part D plan sponsor does not intend to renew its contract, it must notify—

(i) CMS in writing by the first Monday of June in the year in which the contract ends;

(ii) Each Medicare enrollee, at least 90 days before the date on which the nonrenewal is effective. This notice must include a written description of alternatives available for obtaining qualified prescription drug coverage within the PDP region, including MA-PD plans, and other PDPs, and must receive CMS approval prior to issuance; and

(iii) The general public, at least 90 days before the end of the current cal-

endar year, by publishing a notice in one or more newspapers of general circulation in each community or county located in the Part D plan sponsor's service area.

(3) If a Part D plan sponsor does not renew a contract under this paragraph (a), CMS cannot enter into a contract with the organization for 2 years unless there are special circumstances that warrant special consideration, as determined by CMS.

(4) If a Part D plan sponsor does not renew a contract under this paragraph (a), it must ensure the timely transfer of any data or files.

(b) *CMS decision that a Part D plan sponsor is not qualified to renew.* (1) Except for fallback entities, CMS may determine that a Part D plan sponsor is not qualified to renew its contract for any of the following reasons:

(i) The reasons listed in § 423.509(a) that also permit CMS to terminate the contract.

(ii) The Part D plan sponsor has committed any of the acts in § 423.752 that support the imposition of intermediate sanctions or civil money penalties under § 423.750.

(2) *Notice of decision.* CMS provides notice of its decision of whether a Part D plan sponsor is qualified to renew its contract as follows:

(i) To the Part D plan sponsor by May 1 of the current contract year.

(ii) If CMS decides that a Part D plan sponsor is not qualified to renew its contract, to the Part D plan sponsor's Medicare enrollees by mail at least 90 days before the end of the current calendar year.

(iii) If CMS determines that the Part D plan sponsor is not qualified to renew its contract, to the general public at least 90 days before the end of the current calendar year, by publishing a notice in one or more newspapers of general circulation in each community or county located in the Part D plan sponsor's service area.

(iv) The notice provisions in paragraphs (b)(2)(ii) and (iii) of this section also apply in cases where a non-renewal results because CMS and the Part D plan sponsor are unable to reach agreement on the bid under subpart F.