2025 IRA /Part D Changes

Reference Guide

GUIDED SOLUTIONS

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2025 IRA Part D Changes Table of Content

Inflation Reduction Act (IRA)

Overview

A prescription drug law, signed into law on August 16, 2022. The law is comprised of different initiatives, launching on a specified timeline.

Limit Out of Pocket Costs

- Limit Insulin to $35 per month - 2023
- $2000 TrOOP - 2025
- Eliminate Gap - 2025
- Limits BBP increase to 6% YOY - 2024

Lower Prescription Costs

- Certain Vaccines = No Cost - 2023
- Negotiate Certain Drugs at Lower Cost - 2026

Expand Financial Assistance

- Raise Full Extra Help Income Limit to 150% of FPL - 2024

https://www.cms.gov/inflation-reduction-act-and-medicare/part-d-improvements
Fact Sheet: Final CY 2025 Part D Redesign Program Instructions (PDF)
Final CY 2025 Part D Redesign Program Instructions (PDF)

2025 Part D Changes

Benefit Design Changes

Sunsets 1/1/2025

Pre-IRA Benefit Design

Initial Coverage Limit

Coverage Gap

Coverage Gap Discount Program

Begins 1/1/2025

New Defined Standard Benefit

$2000 OOP Threshold (in 2025)

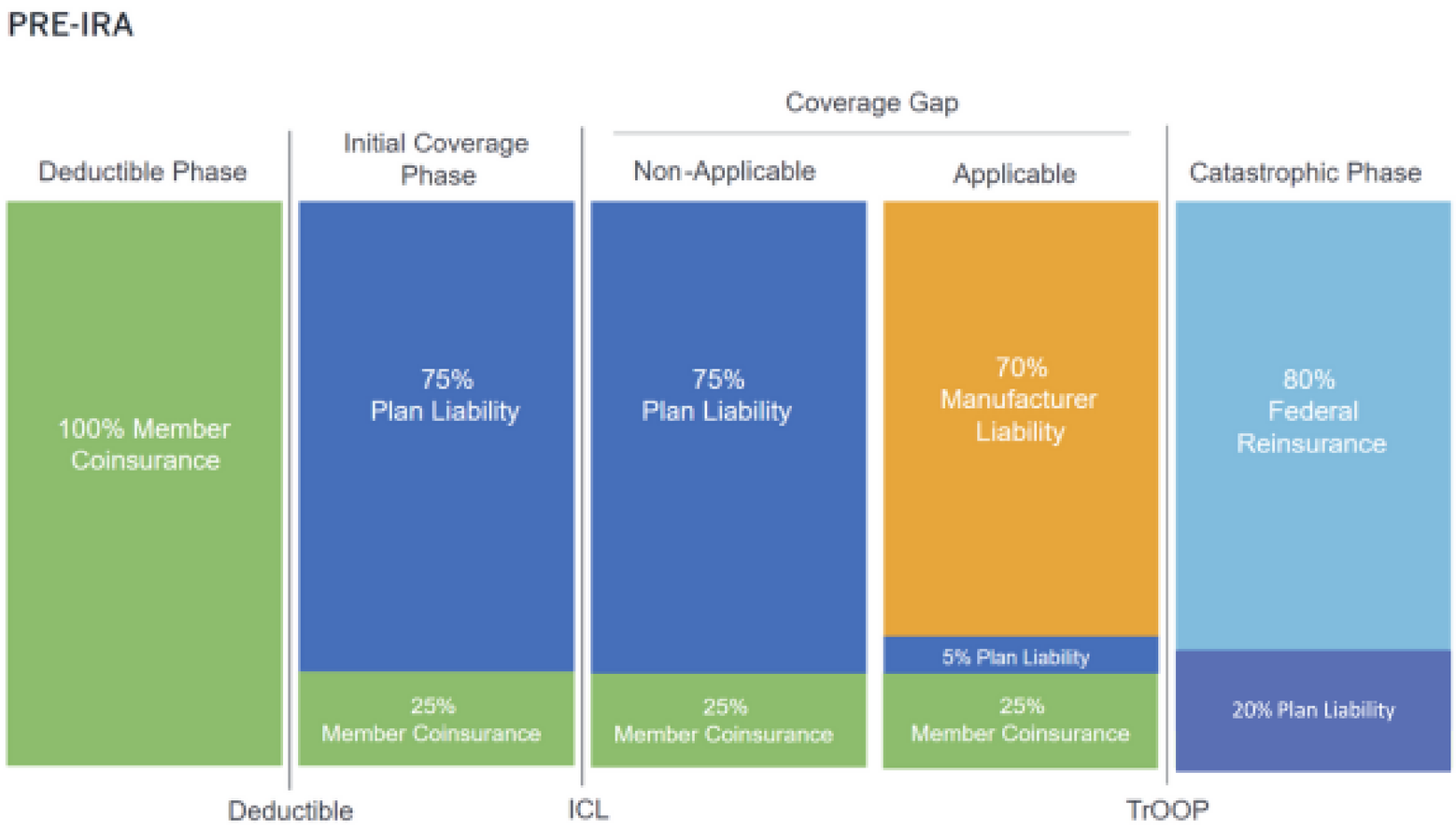
Manufacturers Discount Program (MDP)

MDP Applicable vs Non-Applicable Drugs

Medicare Prescription Drug Payment Plan

2025 Part D Changes

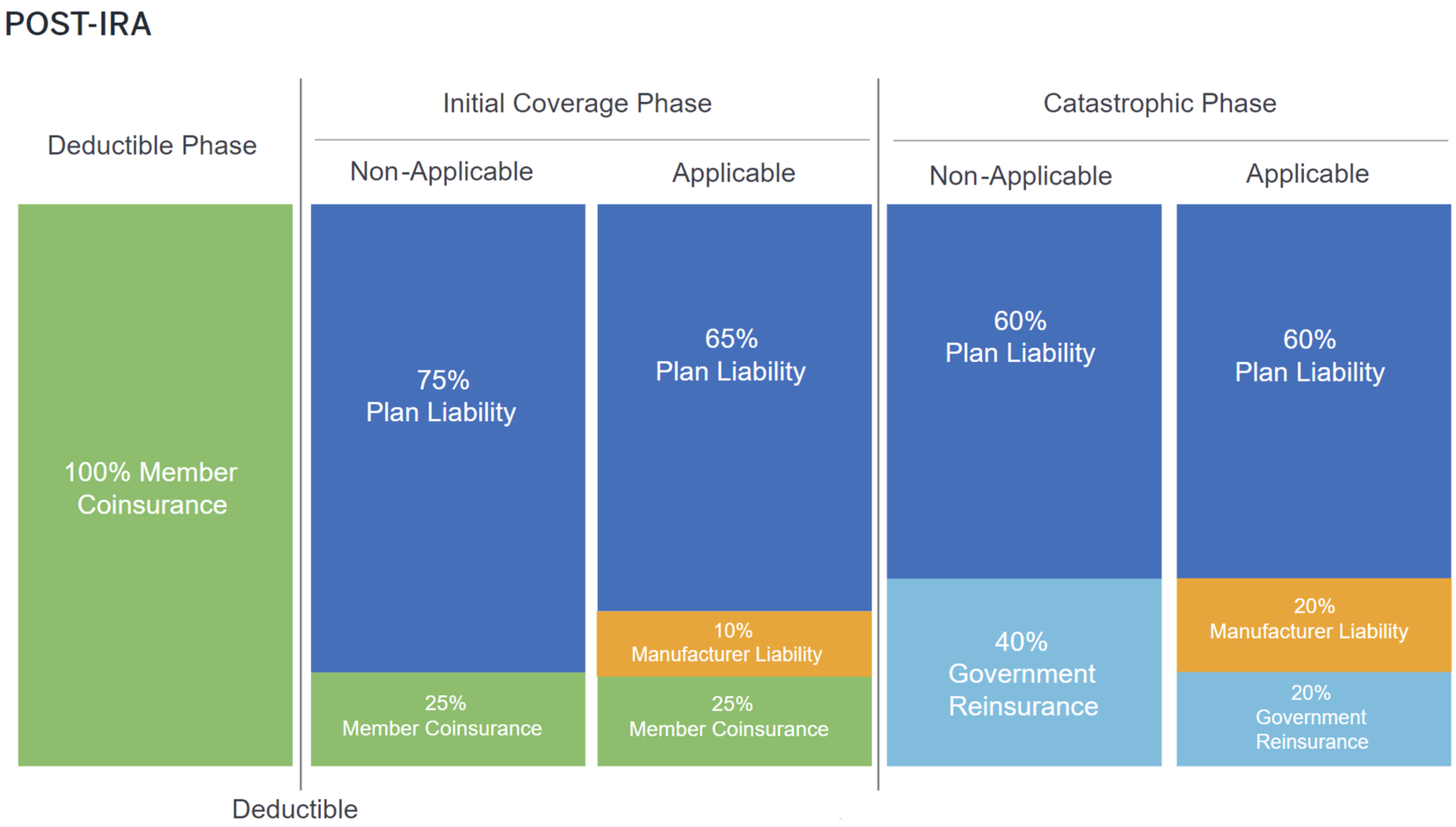
Medicare Part D Benefit Design Pre-IRA



Milliman: A primer on Medicare Part D prescription drug rebates: Insights into the possible impact of the Inflation Reduction Act, September 29, 2023

2025 Part D Changes

Medicare Part D benefit design Post-IRA



Milliman: A primer on Medicare Part D prescription drug rebates: Insights into the possible impact of the Inflation Reduction Act, September 29, 2023

2025 PART D CHANGES

CURRENT CMS STANDARD (DS) BENEFIT DESIGN

Deductible

Enrollee pays 100% of your Gross Covered Prescription Drug Costs (GCPDC) until their plan deductible is met.

$545

Initial

Enrollee pays 25% coinsurance for covered Part D drugs until their costs reach the MOOP.

Plan pays 75%

$5030 MOOP

Coverage Gap

Known as "Donut Hole"

You pays 25% on generic and name brand medications until you have reached the True Out Of Pocket (TrOOP) limit.

Your Plan pays 5%-75%

Manufacturers pay 70% on applicable drugs

$8000 TrOOP

Catastrophic

Enrollee pays no cost for covered Part D drugs.

Plan pays 20%

Government pays 80%

No Cost

Enrollee's "at most" cost share limit in each coverage phase

GUIDED SOLUTIONS

2025 Part D Changes

CMS 2025 Defined Standard (DS) Benefit Design

Deductible

Enrollee pays 100% of their Gross Covered Prescription Drug Costs (GCPDC) until the deductible is met.

$590

Initial

Enrollee pays 25% coinsurance for covered Part D drugs.

Sponsor 65 – 75%

Manufacturers through Discount Program 10%

$2000 TrOOP

Catastrophic

Enrollee pays no cost share for covered Part D drugs.

Sponsor 60%

Manufacturers 20%

CMS Reinsurance 20-40%

No Cost

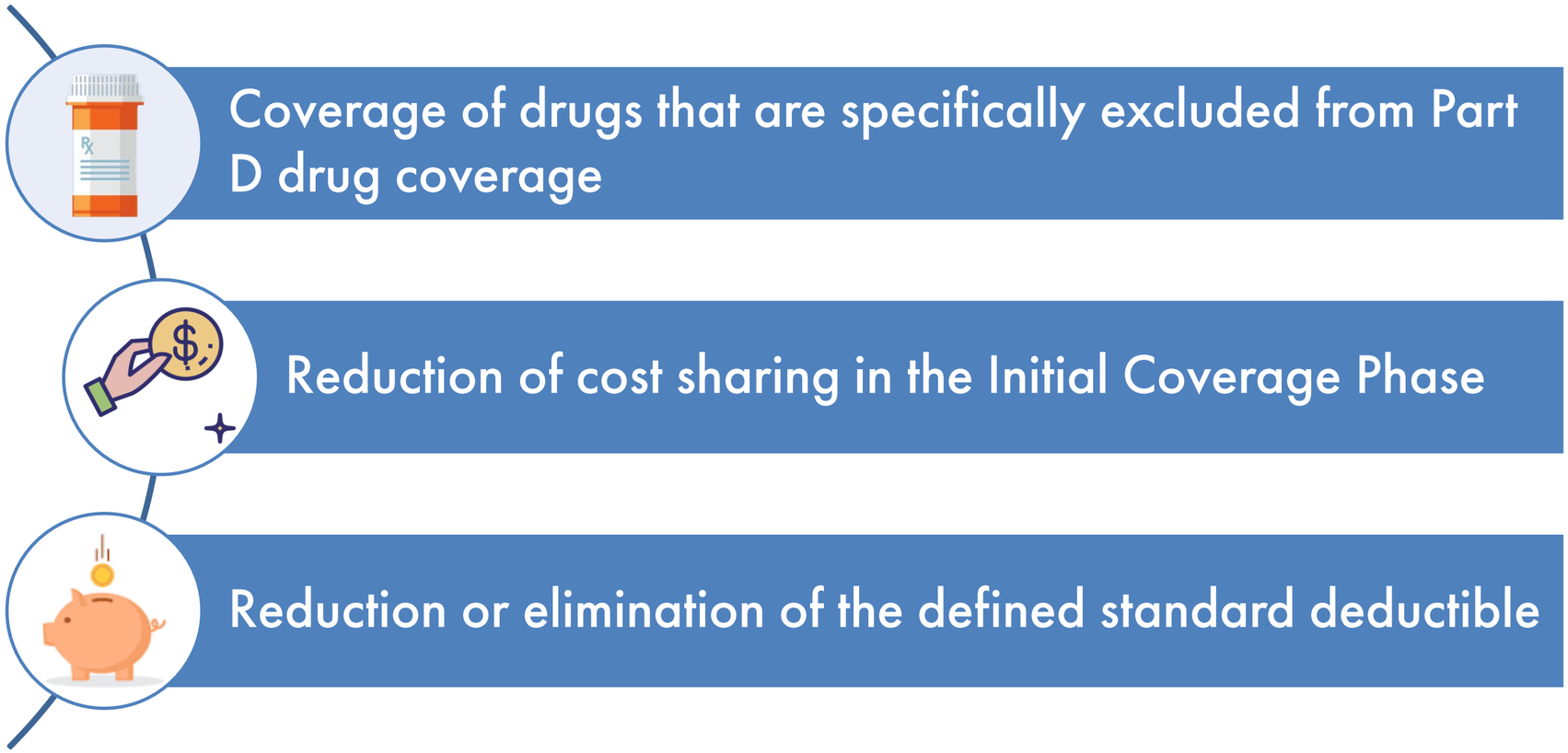
Sponsor = Insurance Carrier

Amounts are an at most typical cost share

2025 Part D Changes

CMS 2025 Enhanced Alternative (EA) Benefit Design

EA = Supplemental Drug Plan Benefits that exceed the defined standard



2025 Part D Changes

Deductible Exempt Drugs

During CY 2025 Part D Plans must NOT apply the deductible to:

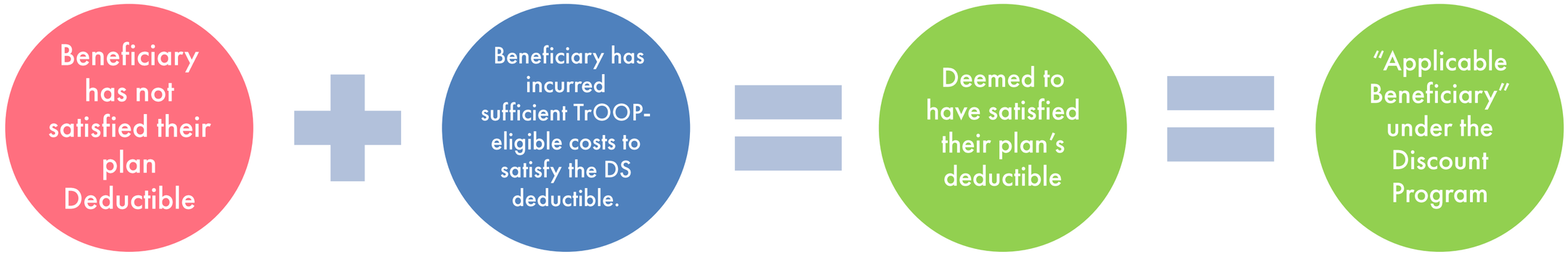
Any Part D covered insulin product and must charge no more than $35 per month's supply of a covered insulin product in the initial coverage phase.

An ACIP-recommended adult vaccine and must charge no cost-sharing at any point in the benefit for such vaccines.

2025 Part D Changes

Deductible Exempt Drugs

TrOOP-eligible costs for drugs not subject to the DS deductible, as well as TrOOP-eligible costs for drugs not subject to a non-DS plan deductible or drugs subject to a reduced deductible under non-DS plans, all count towards a beneficiary's satisfaction of the DS deductible.



If a plan offers a non-DS plan deductible—whether that be a lower deductible than the DS deductible or a deductible that applies for a subset of covered Part D drugs—and a beneficiary incurs sufficient costs to satisfy the plan deductible but has not incurred TrOOP-eligible costs cumulatively across all drugs at or above the DS deductible amount, discounts under the Discount Program are not available. As such, the plan is responsible for covering the portion of costs that would be covered by the manufacturer discount if the beneficiary were an applicable beneficiary until the beneficiary's TrOOP exceeds the DS deductible and they become an applicable beneficiary. The same guidance applies when a beneficiary under any Part D plan is dispensed a covered insulin product or ACIP-recommended vaccine before they have incurred TrOOP-eligible costs at or above the DS deductible amount.

2025 Part D Changes

Deductible Exempt Drugs

Policy for Drugs Not Subject to the Defined Standard Deductible

Beneficiaries must become "applicable beneficiaries" to qualify for Manufacturer Discounts under the Discount Program. To be an applicable beneficiary, an individual must:

Be enrolled in a Part D or MAPD Plan

Not be enrolled in a qualified retiree prescription drug plan

Have incurred TrOOP-eligible costs that exceed the DS deductible

Part D - Key Insights

TrOOP – True Out-Of-Pocket Costs

TrOOP (True Out-Of-Pocket Costs):

True out-of-pocket (TrOOP) "incurred costs" are the payments that count toward a person's Medicare drug plan out-of-pocket threshold of $2000 (in 2025)*.

Enrollee "incurred costs" determine:

- **When a beneficiary becomes an "applicable beneficiary" and qualifies for the MDP**
- **Reaches the annual OOP threshold**
- **Enters the catastrophic coverage phase**

To be included as an Incurred Cost drugs must:

- Be covered in formulary, or covered through a coverage determination, formulary exception or appeal
- Be purchased at an in-network pharmacy
- Be purchased at an out-of-network pharmacy in accordance with the plan's out-of-network policy

***TrOOP will increase YOY. On average a 5% increase YOY can be anticipated.**

Part D - Key Insights

TrOOP – True Out-Of-Pocket Costs

Current Incurred Cost Include:

- Annual Deductible
- Initial Coverage Phase Cost Shares
- Costs borne or paid:
  - Under section 1860D–14 (PREMIUM AND COST-SHARING SUBSIDIES FOR LOW-INCOME INDIVIDUALS)
  - Under a State Pharmaceutical Assistance Program
  - By family or friends on behalf of the beneficiary
  - By the Indian Health Service, an Indian tribe or tribal organization, or an urban Indian organization (as defined in section 4 of the Indian Health Care Improvement Act)
  - Under an AIDS Drug Assistance Program under part B of title XXVI of the Public Health Service Act.
  - Most charities (unless they're established, run, or controlled by the person's current or former employer or union or by a drug manufacturer's Patient Assistance Program operating outside Part D)

2025 PART D CHANGES

TrOOP – TRUE OUT-OF-POCKET COSTS CHANGES

New Incurred Cost for CY 2025:

- Supplemental Part D coverage provided by enhanced alternative (EA) Part D plans
- Supplemental coverage provided by Employer Group Waiver Plans
- Cost reductions in cost sharing for enrolled beneficiaries, such as:
  - reductions by Medicare-Medicaid Plans and D-SNPs
  - Center for Medicare and Medicaid Innovation model benefits that reimburse costs for covered Part D drugs (unless stated otherwise in a Request for Applications)

2025 PART D CHANGES

TrOOP – TRUE OUT-OF-POCKET COSTS CHANGES

How this impacts a Part D Enrollee's costs

The greater cost of the Enhanced Alternative cost share or the Defined Standard cost share is what will count towards a beneficiary's True Out of Pocket Costs (TrOOP).

Example of How this Could work with their Plan

Enhance Alternative Benefit Plan	Cost
Actual Drug Cost	$400
Defined Standard Cost Share (25%)	$100
Your plan copay	$40
What counts toward TrOOP	$100

This could mean they spend less than the $2000 Out-Of-Pocket Threshold and reach Catastrophic Coverage.

2025 PART D CHANGES

TrOOP – TRUE OUT-OF-POCKET COSTS CHANGES

Not Counted toward TrOOP

- Monthly Plan Premiums
- Share Paid by the Plan (Except coverage referenced on page 15)
- Non-formulary drugs
- Drugs purchased outside of the US and its territories
- Excluded drugs (Even if the plan covers them in a EA supplemental benefit)
- **Any manufacturer payments made under the Discount Program**
- Over-the-counter or most vitamins (even if they're required by the plan as part of step therapy)

2025 Part D Changes

TrOOP Carryovers

Decreased DS Catastrophic Threshold in 2025: Section 1860D-2(b)(4)(B)(i)(VII) of the Act, as amended by section 11201 of the IRA, decreases the annual Part D DS catastrophic threshold from $8,000 in 2024 to $2,000 in 2025. Part D sponsors must map NCY EGWPs to the 2025 DS catastrophic threshold beginning on January 1, 2025.

- Enrollees who have a beginning TrOOP balance carried over from 2024 that is less than $2,000 as of January 1, 2025, will start in either the Part D DS deductible or initial coverage phase when their first claim is adjudicated in 2025 depending on their TrOOP balance as of January 1, 2025.

- Enrollees who have a beginning TrOOP balance carried over from 2024 that is equal to or greater than $2,000 as of January 1, 2025, will start in the 2025 Part D catastrophic phase when their first claim is adjudicated in 2025. If the 2024 TrOOP balance exceeds $2,000, the TrOOP balance must be reset to $2,000 on January 1, 2025. Enrollees whose TrOOP reaches $2,000 in the 2024 portion of the NCY plan year cannot enter the catastrophic coverage phase in 2024 unless their TrOOP reaches the 2024 requirement of $8,000.

Definition of Incurred Costs Applies within each Calendar Year

Part D sponsors must only carry over from the 2024 portion of the NCY plan year a dollar figure that represents costs that qualified as incurred costs under laws and guidance applicable through December 31, 2024. The IRA definition of incurred costs applies for all claims with dates of service starting on or after January 1, 2025.

2025 PART D CHANGES

MANUFACTURER DISCOUNT PROGRAM (MDP /DISCOUNT PROGRAM)

Medicare Part D Manufacturer Discount Program:

Successor to the Coverage Gap Discount Program. Under the Discount Program, participating manufacturers are required to provide discounts on their applicable drugs both in the initial and catastrophic coverage phases of the Part D benefit. There is no manufacturer discount provided during the deductible phase.

During the initial coverage phase, the manufacturer discounts are a reduction in your out-of-pocket expenses. This is why they do not count as "incurred costs" toward TrOOP. This can be through **Point-of-Sale discounts** or **Direct Member Reimbursements**

GUIDED SOLUTIONS

2025 PART D CHANGES

MANUFACTURER DISCOUNT PROGRAM (MDP / DISCOUNT PROGRAM)

Applicable Drugs = Brand Name Drugs Only![1]

- Covered, by the Plan, as a Part D Drug, but is not an excluded drug
- In The Plan's Approved List of Drugs (Formulary) or
- Covered through a Formulary Exception or Appeal
- FDA Approved or Licensed Biologic[2]

[1]Includes brand name drugs treated as generic. Generic drug marketed under a trade name are still treated as generic and are non-applicable
[2]Drugs are not included during a price applicability periods

2025 PART D CHANGES

MANUFACTURER DISCOUNT PROGRAM (MDP /DISCOUNT PROGRAM)

Non-Applicable Drugs

Drugs For:

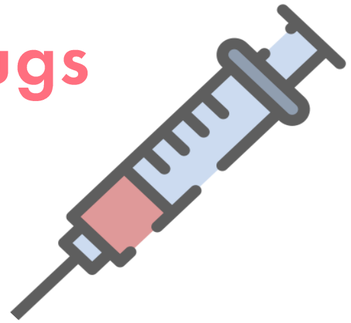
- Anorexia, weight loss, or weight gain
- Promoting fertility (Infertility treatments)
- Cosmetic purposes or hair growth
- Symptomatic relief of cough and colds.
- Smoking cessation
- Prescription vitamins and mineral products, except prenatal vitamins and fluoride preparations.
- Nonprescription drugs[1]
- When the manufacturer requires associated tests or monitoring services be purchased exclusively from the manufacturer/designee as a condition of drug sale.
- Barbiturates.
- Benzodiazepines
- Sexual/Erectile dysfunction[2]

[1]except, in the case of pregnant women when recommended in accordance with the Guideline referred to in section 1905(bb)(2)(A), agents approved by the Food and Drug Administration under the over-the-counter monograph process for purposes of promoting, and when used to promote, tobacco cessation.
[2]unless such agents are used to treat a condition, other than sexual or erectile dysfunction, for which the agents have been approved by the Food and Drug Administration.

2025 PART D CHANGES

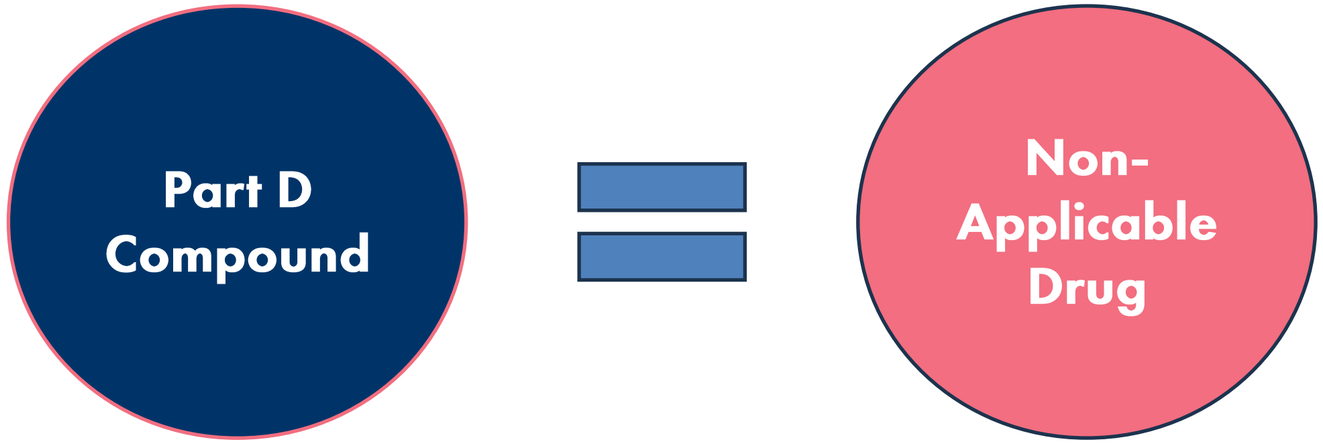
MANUFACTURER DISCOUNT PROGRAM (MDP /DISCOUNT PROGRAM)

Non-Applicable Drugs



Part D Compounds.

Compound Drugs are ALWAYS considered non-applicable, even if one or more drug components in the compound are considered applicable.



What is Creditable Coverage?

"Creditable prescription drug coverage" is prescription drug coverage that equals or exceeds the actuarial[123] value of defined standard Part D prescription drug coverage; that is, creditable coverage is coverage that is at least as good as Medicare's prescription drug coverage.

Creditable Coverage = The Defined Standard Benefit Design, its Actuarial Equivalent, or better.

[1]Actuarial equivalence is based on plan liability and does not include subsidies such as low-income cost sharing.
[2]Discounts provided through the Discount Program are not included when determining the actuarial value of qualified retiree coverage.
[3]Enrollees in a qualified retiree prescription drug plan are excluded from the definition of applicable beneficiary.

2025 Part D Changes

Changes in Creditable Coverage Determination

The change is the new Defined Standard Benefit Design

Deductible

Enrollee pays 100% of their Gross Covered Prescription Drug Costs (GCPDC) until the deductible is met.

$590

Initial

Enrollee pays 25% coinsurance for covered Part D drugs.

Sponsor 65 – 75%

Manufacturers through Discount Program 10%

$2000 TrOOP

Catastrophic

Enrollee pays no cost share for covered Part D drugs.

Sponsor 60%

Manufacturers 20%

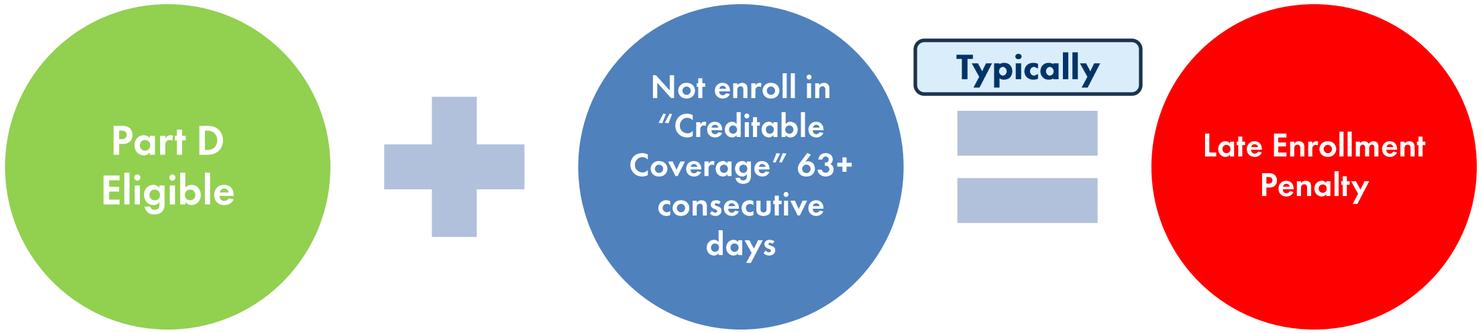
CMS Reinsurance 20-40%

No Cost

Creditable Coverage

Late Enrollment Penalty

If a Part D eligible beneficiary is coverage under a group health plan, including the Federal employees' health benefits program and qualified retiree prescription drug plans[1] as defined in section 1860D-22(a)(2) of the Act, coverage must be deemed creditable to avoid a Late Enrollment Penalty.



[1]CMS is required to pay a subsidy to sponsors of qualified retiree prescription drug plans that provide equivalent or better coverage than the actuarial value of standard prescription drug coverage, if they apply for an qualify

2025 Part D Changes

Changes in Creditable Coverage Determination

Creditable Coverage Simplified Determination

Qualifying Group Health Plans can still use the simplified determination.

- To qualify plans cannot receive, or be applying for, the Retiree Drug Subsidy.

>20 Changes in Creditable coverage have stronger implication factors for employer groups with greater than 20 employees.

<20 Employer groups with less than 20 employees can require Medicare eligible employees to select a Medicare plan option.

Part D – Key Insights

Simplified Determination Creditable Coverage

A prescription drug plan is deemed to be creditable if it:

1) Provides coverage for brand and generic prescriptions;
2) Provides reasonable access to retail providers;
3) The plan is designed to pay on average at least 60% of participants' prescription drug expenses and
4) Satisfies at least one of the following:
    a) The prescription drug coverage has no annual benefit maximum benefit or a maximum annual benefit payable by the plan of at least $25,000, or
    b) The prescription drug coverage has an actuarial expectation that the amount payable by the plan will be at least $2,000 annually per Medicare eligible individual.
    c) For entities that have integrated health coverage[1], the integrated health plan has no more than a $250 deductible per year, has no annual benefit maximum or a maximum annual benefit paid by the plan of at least $25,000 and has no less than a $1,000,000 lifetime combined benefit maximum.

[1]Any plan of benefits offered to a Medicare eligible in where the prescription drug benefit is combined with other coverage offered by the entity (i.e., medical dental, vision, etc.) and the plan has all the following plan provisions: 1) a combined plan year deductible for all benefits under the plan, 2) a combined annual benefit maximum for all benefits under the plan, and 3) a combined lifetime benefit maximum for all benefits under the plan.

Great News For 2025

If an Employer qualified for Simplified Determination in 2024 and their coverage was deemed Creditable, they will likely remain Creditable in 2025, if they continue to qualify for Simplified Determination.

In 2026, CMS will reevaluate whether they will continue Simplified Determination of Creditable Coverage in its current form.

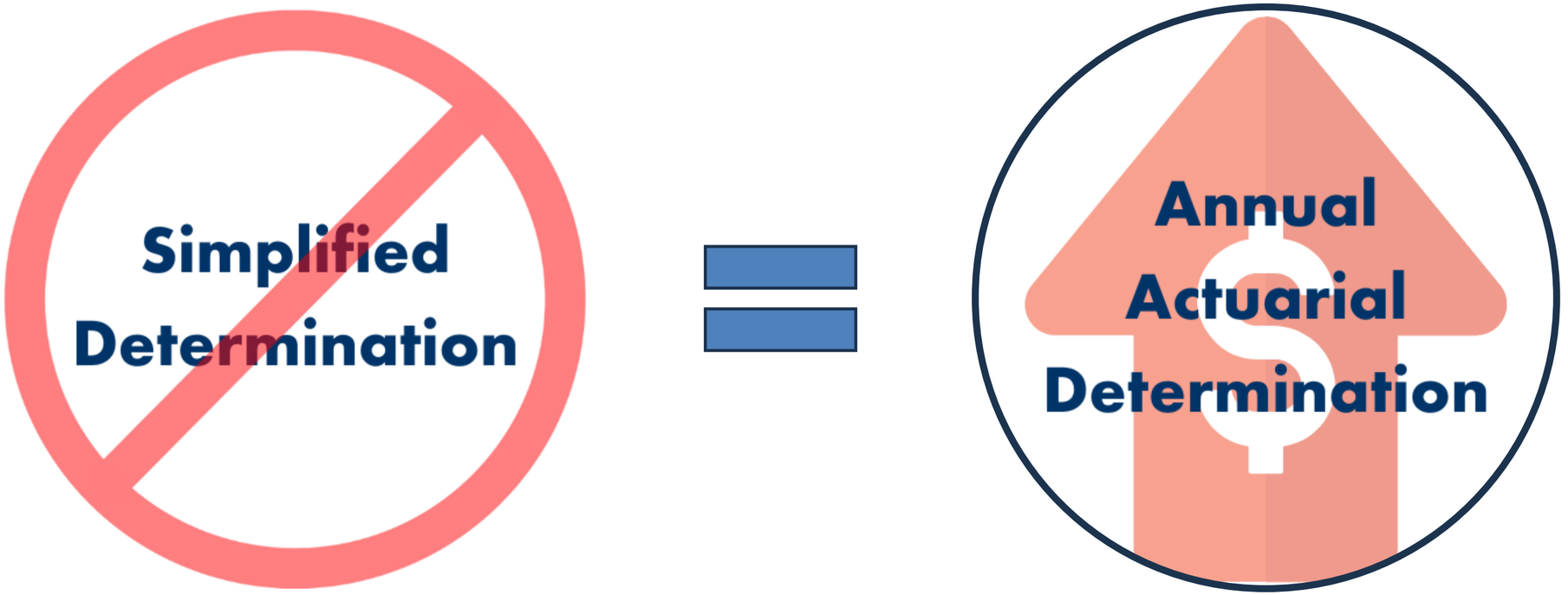
Employer Groups should start planning now!

https://www.cms.gov/files/document/fact-sheet-final-cy-2025-part-d-redesign-program-instructions.pdf

2025 Creditable Coverage

Changes in Creditable Coverage Determination

Employer Groups / Part D Sponsors that do not qualify for Simplified Determination, will be required to complete an annual actuarial review, which adds costs and time to determining Creditable Coverage.



Creditable Coverage

Notice of Creditable Coverage (NOCC)

What it must include:

Employer Groups / Part D Sponsors are required to:

- Notify CMS on an annual basis and/or upon any change that affects (credibility) whether the coverage is creditable.
- Notify Beneficiaries enrolled in or seeking coverage in the plan, that the plan is Creditable Coverage or is NOT Creditable Coverage
  - If NOT Creditable – Plans must:
    - (1) The fact that the coverage is not creditable prescription drug coverage, as provided by CMS;
    - (2) That there are limitations on the periods in a year in which the individual may enroll in Part D plans; and
    - (3) That the individual may be subject to a late enrollment penalty, as described under § 423.46.

[1]Actuarial equivalence is based on plan liability and does not include subsidies such as low-income cost sharing.
[2]Discounts provided through the Discount Program are not included when determining the actuarial value of qualified retiree coverage.
[3]Enrollees in a qualified retiree prescription drug plan are excluded from the definition of applicable beneficiary.

Creditable Coverage

Notice of Creditable Coverage (NOCC)

When Notification Must Provided:

Employer Groups / Part D Sponsors are required to notify beneficiaries

- (1) Prior to an individual's initial enrollment period for Part D, as described under § 423.38(a)
- (2) Prior to the effective date of enrollment in the prescription drug coverage and upon any change that affects whether the coverage is creditable prescription drug coverage
- (3) Prior to the commencement of the Annual Coordinated Election Period as defined in § 423.38(b); and
- (4) Upon request by the individual

[1]Actuarial equivalence is based on plan liability and does not include subsidies such as low-income cost sharing.
[2]Discounts provided through the Discount Program are not included when determining the actuarial value of qualified retiree coverage.
[3]Enrollees in a qualified retiree prescription drug plan are excluded from the definition of applicable beneficiary.

2025 Part D Changes

Changes in Creditable Coverage Determination

It is the employer's and/or plan sponsor's responsibility to communicate whether the provided drug coverage is deemed "Creditable Coverage" via an annual Notice of Creditable Coverage (NOCC) to Medicare eligible individual who are covered under or who apply for the employer's prescription drug plan.

DON'T WAIT for the NOCC

Employer's must notify beneficiaries if the plan is "Creditable Coverage" upon request.

- Medicare eligible employees can and should ask for written confirmation that their coverage is considered creditable.

Employers can and should confirm with their plan sponsor now, that the Prescription Drug coverage provided via their employee benefits is "Creditable Coverage"

2025 PART D CHANGES

MEDICARE PRESCRIPTION PAYMENT PLAN

Beginning in 2025, the IRA requires all Medicare prescription drug plans (Medicare Part D plans) — including both standalone Medicare prescription drug plans and Medicare Advantage plans with prescription drug coverage — to offer Part D enrollees the option to pay out-of-pocket prescription drug costs in the form of capped monthly payments instead of all at once at the pharmacy.

Who is eligible? – Anyone with Part D

PDP **OR** **MAPD**

GUIDED SOLUTIONS

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 PART D CHANGES

MEDICARE PRESCRIPTION PAYMENT PLAN

All Pharmacy Types are Included

- Retail
- Mail Order
- Specialty
- Home Infusion
- Long-Term Care

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Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 PART D CHANGES

MEDICARE PRESCRIPTION PAYMENT PLAN

How much will the Part D Enrollee Pay?

$0 At the Point of Sale (POS) / The Pharmacy

Once opted-in, the Enrollee no longer has the option to pay at the POS.
The program takes over the Enrollee's Part D claims billing, and acts like a rider.

Instead, the enrollee will receive a monthly bill (separate from any PDP/MAPD premium) from their carrier in a monthly for up to their monthly maximum cap.

Monthly Max Cap likely to vary by enrollee and by month

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Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 PART D CHANGES

MEDICARE PRESCRIPTION PAYMENT PLAN

M3P DOES NOT

Save the Enrollee money.
Change how an Enrollee moves through the coverage phases.
Change what counts toward TrOOP.

Enrollees can never be billed more than the monthly max cap.
They have the option to pay more or pay the balance in full.

Extended Supply Prescriptions (90-100 day fills) entire out-of-pocket cost share counts toward the month the Enrollee fills it. For example, if you have $300 in OOP costs incurred for a 90-day supply dispensed in January, the full $300 will be counted as incurred in January.

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Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 PART D CHANGES

MEDICARE PRESCRIPTION PAYMENT PLAN

When does the Medicare Prescription Payment Plan begin?

January 1, 2025

When can Part D Enrollees start opting-in?

October 15, 2024

Part D Plan Enrollment must be validated by CMS before M3P Opt-In Election can be processed.

What other times can Part D enrollees opt into the Medicare Prescription Payment Plan?

Prior to the beginning of a plan year or in any month during a plan year

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

ALL Part D Enrollees will receive a program notice with an election request form*

A program notice with an election request form must be sent in the same timeframe that the member ID card is mailed. It does not have to be enclosed in the same mailing and it likely to arrive separately.
*One exception – If all copays on the plan are $0, the notice and form are not required.

Likely to Benefit Notices

One **single** prescription of $600+ will trigger a "Likely to Benefit" notice requirement at the Pharmacy.

Enrollees most likely to benefit will have high cost sharing earlier in the plan year. Enrollees will be identified based on high out-of-pocket costs based on prior year claims data and at the point-of-sale (POS). These beneficiaries will receive a "Likely to Benefit Notice" from the carrier and/or pharmacy.
Those "likely to benefit" could receive multiple notices.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 PART D CHANGES

MEDICARE PRESCRIPTION PAYMENT PLAN

The Part D enrollee or their legal representative must complete an election request to opt into the Medicare Prescription Payment Plan. There is **no auto-opt-in** to the Medicare Prescription Payment Plan.

The Enrollee must Opt-In to participate

How to "Opt-In"

GUIDED SOLUTIONS

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

How quickly will an opt-in be processed?

Received Prior to Plan Year = 10 days to process

Received During Plan Year = 24 HOURS

Carrier processing timelines are from date of receipt of the opt-in request.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

How do Part D enrollees opt-in?

NO POINT-OF-SALE Opt-In!

The Part D Enrollee cannot opt-in at the pharmacy.

If a Part D Enrollee receives a likely to benefit notice due to a $600+ single prescription fill they will have to:

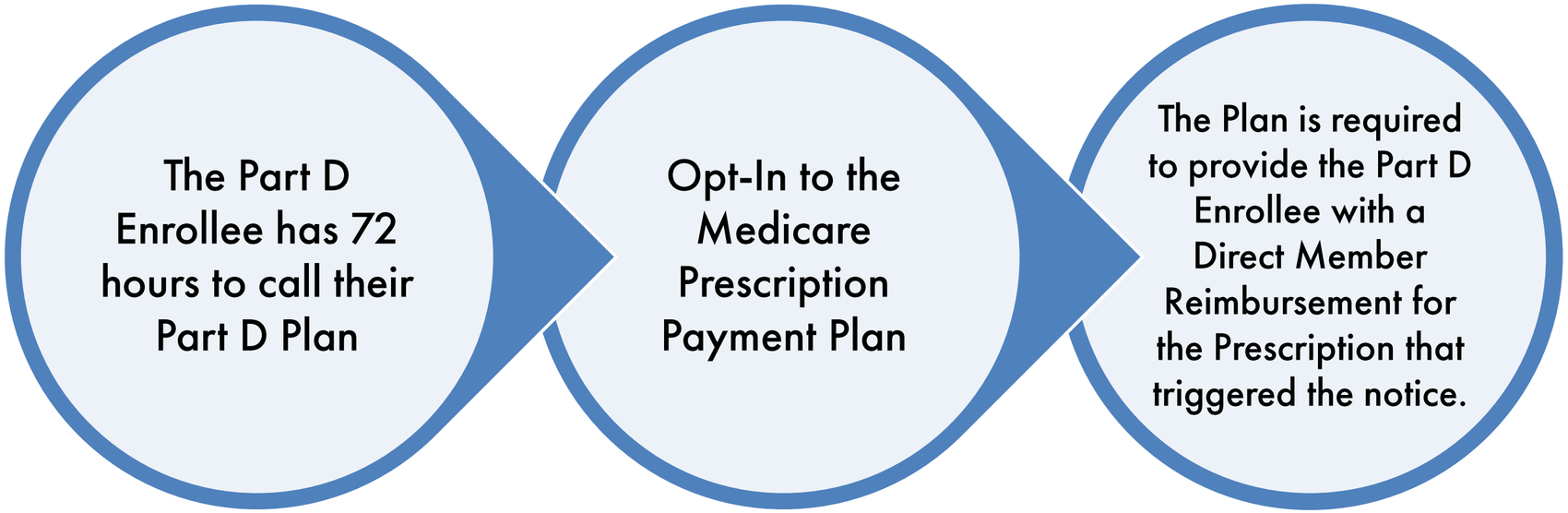
Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

What if an enrollee urgently needs their prescription and pays at the pharmacy?

If a Part D Enrollee receives a likely to benefit notice due to a $600+ single prescription fill, and urgently needs their prescription and pays at the pharmacy, but would have wanted to join the M3P:

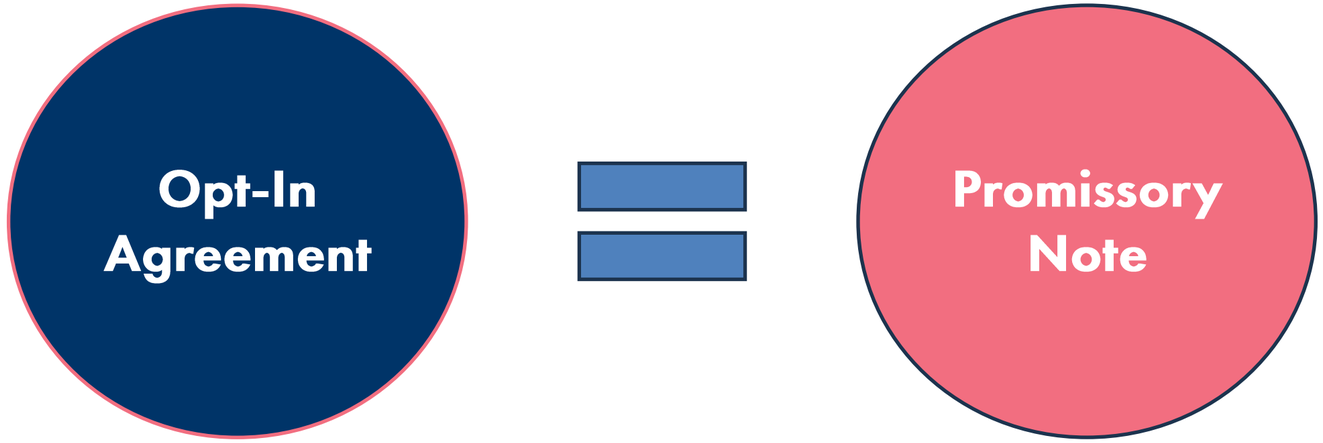


Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 PART D CHANGES

MEDICARE PRESCRIPTION PAYMENT PLAN

The M3P is an agreement with enrollees' Part D Sponsor to finance their prescriptions at no additional cost* and bill them in a monthly statement.



"Finance" Period is the Opt-In Date – December 31st of the calendar year. Balance must be paid in full by end of year

*No interest, fees or penalties can be added to the M3P or billed to the Part D Enrollee. (Including overdraft fees)

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan – Part 2

Educating your clients will reduce the potential for them to be misled.

Requirements for the Part D Sponsor:

- Outreach and Education including requirements for member ID card mailings, updates to current Part D materials, and website contents. This can be sent separate from the ID card mailing but has to be completed in the same timeframe.

- Communications with prospective and current program participants, particularly around election of the payment plan as well as voluntary removal, non-payment, and termination.

- Communication and education with Pharmacies and Providers. These requirements were relaxed. Pharmacies will only be tasked with providing the “Likely to Benefit” paper notice.

Education on the Medicare Prescription Payment Plan is part of a compliant sales process.

Fact Sheet: Medicare Prescription Payment Plan Final Part Two Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

Can the Part D Enrollee Voluntarily Opt-Out (Voluntary Termination)?

YES **Enrollees will still receive a bill until M3P Balance = $0***

Sponsors must continue to bill amounts owed under the program in monthly amounts not to exceed the maximum monthly cap according to the statutory formula for the duration of the plan year after an individual has been terminated.

The Part D sponsor may also offer the participant the option to repay the full outstanding amount in a lump sum but may not require full immediate repayment. After opting out, the individual will pay any new OOP costs directly to the pharmacy.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

What happens if the Part D Enrollee Fails to pay (Involuntary Termination)?

Termed from M3P after 60-day grace period

Part D sponsors are required to terminate an individual's Medicare Prescription Payment Plan participation if that individual fails to pay their monthly billed amount after the conclusion of the required **grace period of 60 days. Notice must be sent to inform the enrollee.**

Can request reinstatement within a reasonable time, if they can show "good cause" for default and repay overdue amounts.

If a Part D Enrollee pays off a past due M3P Balance, in full, the Plan must immediately reopen their ability to opt back in to the M3P.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

What happens to the overdue amount?

Billed → Collections → Reported to Credit Bureaus

Sponsors must continue to bill amounts owed under the program in monthly amounts not to exceed the maximum monthly cap according to the statutory formula for the duration of the plan year after an individual has been terminated. The Part D sponsor may also offer the participant the option to repay the full outstanding amount in a lump sum but cannot require full immediate repayment.

- Enrollee will receive a bill from their Part D Plan until their balance is $0 or December 31st, whichever comes first.
- Late fees, interest and other fees are not allowed (This includes NFT Charges)
- Debt Collection must follow state and federal laws
- Credit Reporting must follow the Fair Credit Reporting Act
- Such debt is considered “medical information”

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

What happens to the overdue amount?

End of Year Unpaid Balances = Written off by plan as plan losses

Typically, plans will write off unpaid M3P Balances as plan losses.
Those losses can then be factored into the Part D Plan's Bid to CMS for the following calendar year.

If the plan is compensated, in any way, on a M3P balance, they will not be able to write it off and factor it into the bid.

The Part D Plan does have the ability to sell the debt to a debt collector, but doing so would prevent them from factoring it into the bid.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

Formulas for Maximum Cap Payments

First Month Maximum Cap Bill =

$$\frac{\text{Annual OOP Threshold (\$2000 in 2025)} - \text{Any prescription costs the enrollee has already paid out of their pocket that count toward TrOOP}}{\text{The number of month remaining in the year}}$$

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

Formula for Maximum Cap Payments

Subsequent Month Maximum Cap Bill =

$$\frac{\text{Current M3P OOP Remaining Balance Due} + \text{New OOP Incurred Cost in the Month}}{\text{The number of month remaining in the year}}$$

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

Who will this program benefit?

Mr. Anderson* takes mostly generic prescriptions that he fills each month.
He is enrolled in a $0 HMO MAPD plan in his area.
His plan has $0 Deductible and a Tiered Cost Share Benefit.

Prescription Name	Dosage	Quantity	Type	Tier	Retail Cost	Plan Copay*	OOP Responsibility
Levothyroxine	112mcg	30/30	tablet	Tier 1 - Preferred Generic	$8.60	$0	$0
Nortriptyline HCL	10mg	60/30	capsule	Tier 4 - Non-Preferred Brand	$11.07	$60	$7.26
Omeprazole DR	40mg	30/30	capsule	Tier 1 - Preferred Generic	$3.96	$0	$0
Methocarbamol	500mg	30/30	tablet	Tier 2 - Generic	$1.85	$0	$0
Escitalopram	5mg	90/90	tablet	Tier 1 - Preferred Generic	$25.80	$0	$0
Bupropion HCL XL	150mg	30/30	tablet	Tier 3 - Preferred Brand	$12.65	$30	$3.76

*Copays are an “at most” cost share

*Real Example Prescription Costs. Names are pseudonyms.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

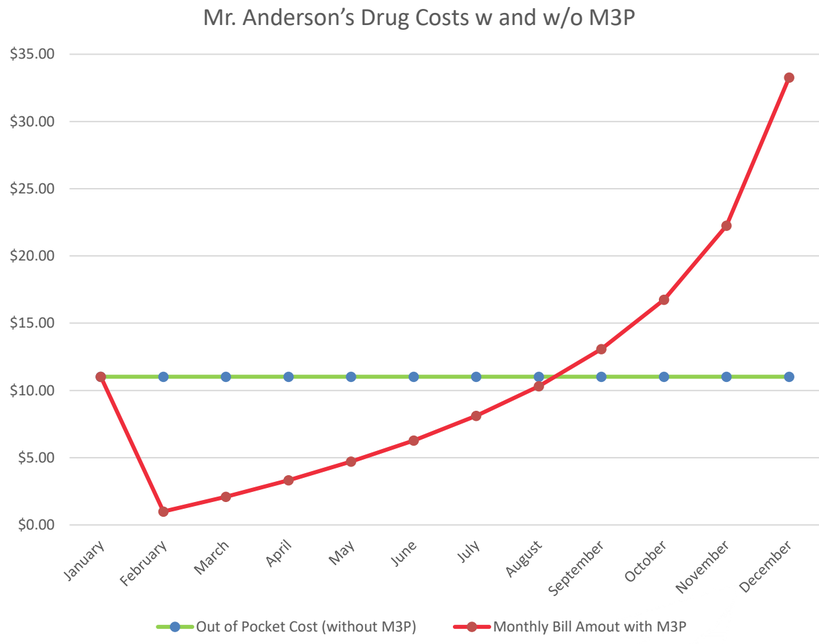
2025 Part D Changes

Medicare Prescription Payment Plan

Who will this program benefit?

Mr. Anderson pays the same cost share each month.
He is not likely to benefit from the M3P.

Month	Out of Pocket Cost (without M3P)	Maximum Monthly Cap	Monthly Bill Amout	Balance in M3P
January	$11.02	$166.67	$11.02	$0.00
February	$11.02	$1.00	$1.00	$10.02
March	$11.02	$2.10	$2.10	$18.94
April	$11.02	$3.33	$3.33	$26.63
May	$11.02	$4.71	$4.71	$32.94
June	$11.02	$6.28	$6.28	$37.68
July	$11.02	$8.12	$8.12	$40.58
August	$11.02	$10.32	$10.32	$41.28
September	$11.02	$13.08	$13.08	$39.22
October	$11.02	$16.75	$16.75	$33.49
November	$11.02	$22.26	$22.26	$22.25
December	$11.02	$33.27	$33.27	$0.00
Total OOP Cost	$132.24		$132.24	



Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

Who will this program benefit?

Ms. Jones* takes high-cost drugs and fills them in a 90-day supply, early in the year.
She is enrolled in a Stand-alone PDP plan in her area.
Her plan has $35.90 monthly premium, a $590 Deductible and a Tiered Cost Share Benefit.

Prescription Name	Dosage	Quantity	Type	Tier	Retail Cost	Plan Cost Share*	OOP Responsibility
Ozempic	1	3 boxes	injection	Tier 3 - Preferred Brand	$2,859.06	20%	$571.81 ($1043.81 1st Fill)
Metformin	1000	180/90	tablet	Tier 1 - Preferred Generic	$5.40	$6	$5.40
Jardiance	25mg	90/90	tablet	Tier 3 - Preferred Brand	$1,803.97	20%	$360.79
Fluoxetine	20mg	90/90	tablet	Tier 2 - Generic Drugs	$6.05	$11	$6
Lisinopril	10mg	90/90	tablet	Tier 1 - Preferred Generic	$12.33	$6	$6
Atorvastatin	40 mg	90/90	tablet	Tier 1 - Preferred Generic	$12.28	$6	$6
Bupropion Hcl Xl	150 mg	90/90	tablet	Tier 2 - Generic Drugs	$3.02	$11	$3.02
Estradiol	0.0001	90days	patch	Tier 4 - Non-Preferred Brand	$78.24	40%	$31.30

*Plan cost shares are “at most”. Based on a 30-day supply, after $590 deductible.

*Real Example Prescription Costs. All names are pseudonyms.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

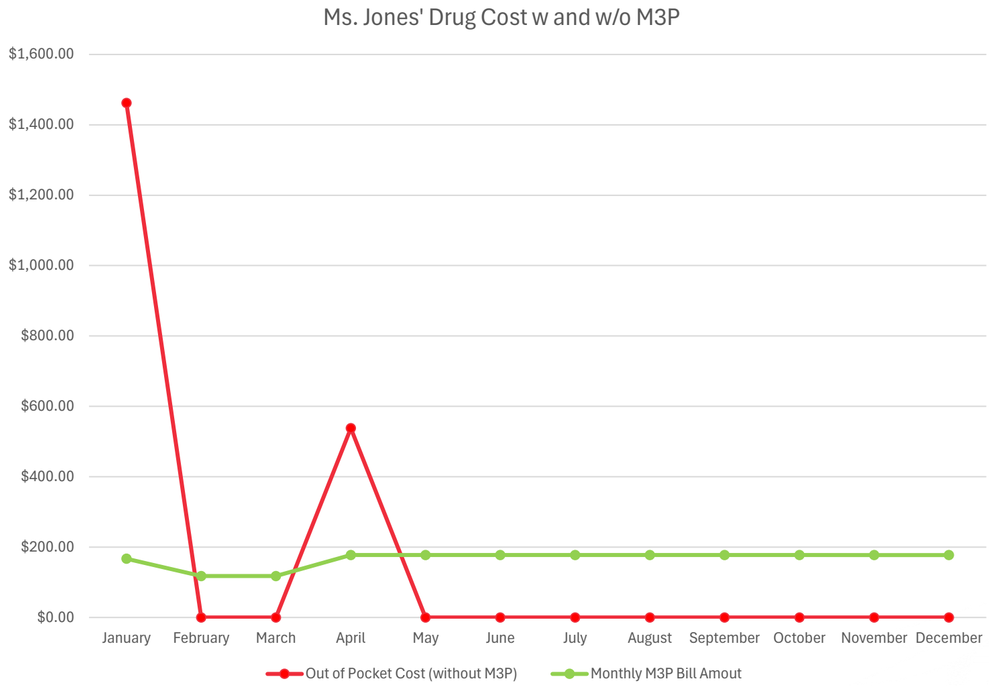
2025 Part D Changes

Medicare Prescription Payment Plan

Who will this program benefit?

Ms. Jones pays high costs at the beginning of the year.
She is likely to benefit from the M3P.

Month	Out of Pocket Cost (without M3P)	Maximum Monthly Cap	Monthly M3P Bill Amout	Balance in M3P
January	$1,462.37	$166.67	$166.67	$1,295.70
February	$0.00	$117.79	$117.79	$1,177.91
March	$0.00	$117.79	$117.79	$1,060.12
April	$537.63	$177.53	$177.53	$1,420.22
May	$0.00	$177.53	$177.53	$1,242.69
June	$0.00	$177.53	$177.53	$1,065.16
July	$0.00	$177.53	$177.53	$887.63
August	$0.00	$177.53	$177.53	$710.10
Septembe	$0.00	$177.53	$177.53	$532.57
October	$0.00	$177.53	$177.53	$355.04
November	$0.00	$177.52	$177.52	$177.52
December	$0.00	$177.52	$177.52	$0.00
Total OOP	$2,000.00		$2,000.00	



Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

Who will this program benefit?

Mrs. Darcy* takes multiple drugs drugs and fills them in a 90-day supply.
She is enrolled in a Part B Give Back $0 HMO MAPD Plan.
Mrs. Darcy has Extra Help (LIS). She does not qualify for a MSP.

Prescription Name	Dosage	Quantity	Type	Tier	Retail Cost	Plan Cost Share*	OOP Responsibility**
Amlodipine	2.5mg	90/90	tablet	Tier 1 - Preferred Generic	$0.89	$0.00	$0.00
Atorvastatin	20mg	90/90	tablet	Tier 1 - Preferred Generic	$5.79	$0.00	$0.00
Atorvastatin	40mg	90/90	tablet	Tier 1 - Preferred Generic	$7.95	$0.00	$0.00
Cevimeline	30mg	90/90	tablet	Tier 4 - Non-Preferred Brand	$147.90	$210.00	$4.50
Clopidogrel	75mg	90/90	tablet	Tier 1 - Preferred Generic	$12.00	$0.00	$0.00
Ezetimibe	10mg	90/90	tablet	Tier 1 - Preferred Generic	$10.83	$0.00	$0.00
Irbesartan	300mg	90/90	tablet	Tier 1 - Preferred Generic	$36.30	$0.00	$0.00
Levothyroxine	100mcg	90/90	tablet	Tier 1 - Preferred Generic	$9.75	$0.00	$0.00
Pantoprazole	40mg	90/90	tablet	Tier 1 - Preferred Generic	$4.35	$0.00	$0.00
Pregabalin	100mg	90/90	capsule	Tier 3 - Preferred Brand	$19.30	$90.00	$4.50
Ventolin HFA	90mcg/actuation	9 inhalers/90	inhaler	Tier 3 - Preferred Brand	$214.70	$90.00	$11.20

*Plan cost shares are “at most”. Based on a 90-day supply, after $590 deductible.
**Based on LIS Rider Cost Shares.

*Real Example Prescription Costs. All names are pseudonyms.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

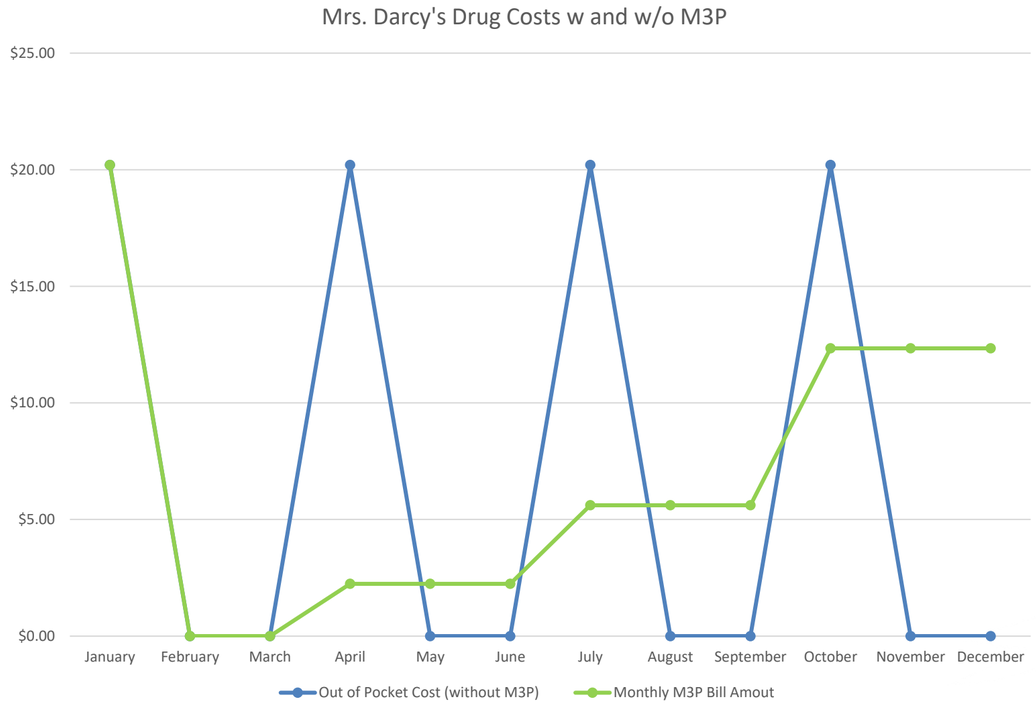
2025 Part D Changes

Medicare Prescription Payment Plan

Who will this program benefit?

If Mrs. Darcy fills her prescriptions in a 90-day supply,
She may benefit from the M3P.
It will depend on her desire and ability to pay an additional bill each month and spread her cost through the year.

Month	Out of Pocket Cost (without M3P)	Maximum Monthly Cap	Monthly Bill Amout	Balance in M3P
January	$20.20	$166.67	20.20	$0.00
February	$0.00	$0.00	0.00	$0.00
March	$0.00	$0.00	0.00	$0.00
April	$20.20	$2.24	2.24	$17.96
May	$0.00	$2.24	2.24	$15.71
June	$0.00	$2.24	2.24	$13.47
July	$20.20	$5.61	5.61	$28.06
August	$0.00	$5.61	5.61	$22.44
Septembe	$0.00	$5.61	5.61	$16.83
October	$20.20	$12.34	12.34	$24.69
November	$0.00	$12.34	12.34	$12.34
December	$0.00	$12.34	12.34	$0.00
Total OOP	$80.80		80.80	



Medicare Prescription Payment Plan Final Part One Guidance (PDF)

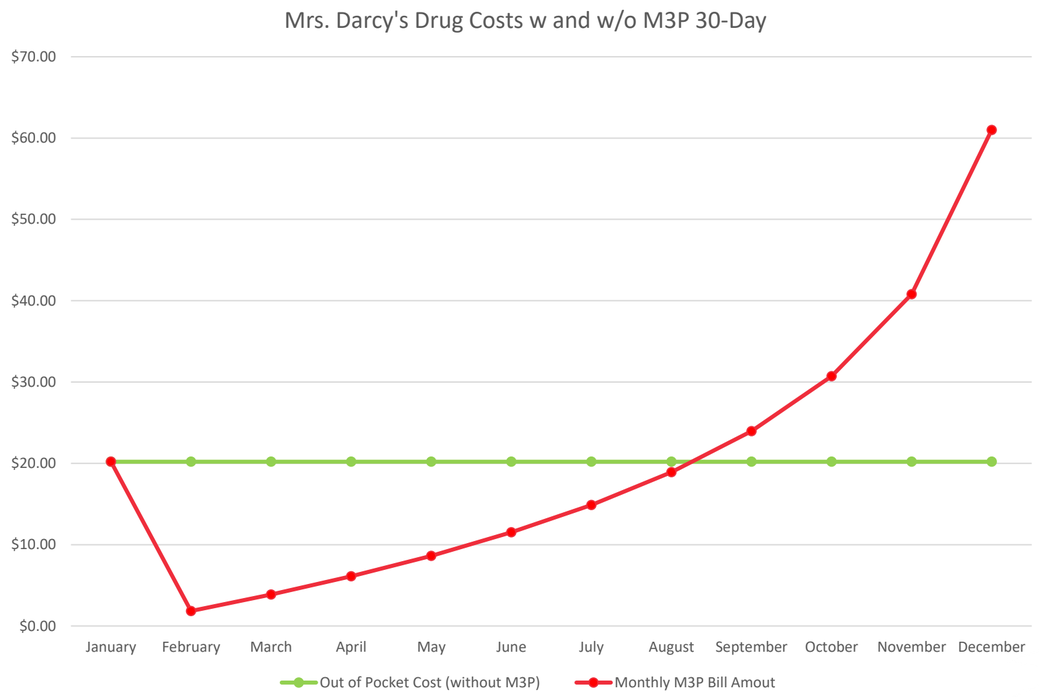
2025 Part D Changes

Medicare Prescription Payment Plan

Who will this program benefit?

If Mrs. Darcy fills her prescriptions in a 30-day supply,
She is **not likely benefit** from the M3P.

Month	Out of Pocket Cost (without M3P)	Maximum Monthly Cap	Monthly Bill Amout	Balance in M3P
January	$20.20	$166.67	20.20	$0.00
February	$20.20	$1.84	1.84	$18.36
March	$20.20	$3.86	3.86	$34.71
April	$20.20	$6.10	6.10	$48.81
May	$20.20	$8.63	8.63	$60.38
June	$20.20	$11.51	11.51	$69.07
July	$20.20	$14.88	14.88	$74.39
August	$20.20	$18.92	18.92	$75.67
Septembe	$20.20	$23.97	23.97	$71.90
October	$20.20	$30.70	30.70	$61.40
November	$20.20	$40.80	40.80	$40.80
December	$20.20	$61.00	61.00	$0.00
Total OOP	$242.40		242.40	



GUIDED SOLUTIONS

[Medicare Prescription Payment Plan Final Part One Guidance (PDF)]

2025 Part D

Low-Income Subsidy Cost Shares

All Part D Carriers are required to apply the same LIS cost share on covered Part D prescriptions, regardless of the number of days supply. This means that a LIS Eligible Part D enrollee will pay the same cost share for a 30-day supply that they pay for a 90 or 100-day supply.

Filling prescriptions in a 90-Day Supply on LIS

Month	Out of Pocket Cost (without M3P)	Maximum Monthly Cap	Monthly Bill Amout	Balance in M3P
January	$20.20	$166.67	20.20	$0.00
February	$0.00	$0.00	0.00	$0.00
March	$0.00	$0.00	0.00	$0.00
April	$20.20	$2.24	2.24	$17.96
May	$0.00	$2.24	2.24	$15.71
June	$0.00	$2.24	2.24	$13.47
July	$20.20	$5.61	5.61	$28.06
August	$0.00	$5.61	5.61	$22.44
Septembe	$0.00	$5.61	5.61	$16.83
October	$20.20	$12.34	12.34	$24.69
November	$0.00	$12.34	12.34	$12.34
December	$0.00	$12.34	12.34	$0.00
Total OOP	$80.80		80.80	

Filling prescriptions in a 30-Day Supply on LIS

Month	Out of Pocket Cost (without M3P)	Maximum Monthly Cap	Monthly Bill Amout	Balance in M3P
January	$20.20	$166.67	20.20	$0.00
February	$20.20	$1.84	1.84	$18.36
March	$20.20	$3.86	3.86	$34.71
April	$20.20	$6.10	6.10	$48.81
May	$20.20	$8.63	8.63	$60.38
June	$20.20	$11.51	11.51	$69.07
July	$20.20	$14.88	14.88	$74.39
August	$20.20	$18.92	18.92	$75.67
Septembe	$20.20	$23.97	23.97	$71.90
October	$20.20	$30.70	30.70	$61.40
November	$20.20	$40.80	40.80	$40.80
December	$20.20	$61.00	61.00	$0.00
Total OOP	$242.40		242.40	

CMS – Prescription Drug Manual Chapter 13 Sec 60.4.2

2025 PART D CHANGES

MEDICARE PRESCRIPTION PAYMENT PLAN

Sample Medicare Maximum Cap Payments – Mid-Year Opt-In

Month	OOP Costs Incurred (W/O M3P)	Maximum Monthly Cap	Monthly Participant Payment
January	$4.00	N/A	$4.00*
February	$4.00	N/A	$4.00*
March	$4.00	N/A	$4.00*
April	$617.00	$220.89	$220.89
May	$4.00	$50.01	$50.01
June	$4.00	$50.59	$50.59
July	$124.00	$71.25	$71.25
August	$4.00	$72.05	$72.05
September	$4.00	$73.05	$73.05
October	$124.00	$114.39	$114.39
November	$4.00	$116.39	$116.39
December	$4.00	$120.38	$120.38
TOTAL	**$901.00**		**$901.00**

*These payments were made directly to the pharmacy, outside of the Medicare Prescription Payment Plan.

Not in M3P. Paid at POS

$600 Rx Trigger of a "Likely to Benefit Notice" And M3P Opt-In

Payments escalate to their highest in November and December

First Monthly Cap
$2000 (2025 TrOOP)
-$12 (spent OOP) /
9 months remaining in the year.

Subsequent Monthly Cap
$396.11 (M3P Balance)
+ $4 (New OOP $) /
8 months remaining in the year

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

Mid-Year Plan Changes

Section 70.4.

If moving from one carrier to another:

If the beneficiary still has a balance with the initial carrier, the initial carrier must continue to bill the beneficiary after the plan change. TrOOP carries with the beneficiary to the new plan. The beneficiary can opt into the MPPP with the new carrier (even if they have defaulted on payments to the initial carrier…the new carrier cannot deny them the ability to opt in to the M3P).

If moving P2P within the same carrier:

The beneficiary will continue to be billed for any outstanding balance in the M3P. TrOOP carries to the new plan. The carrier can prohibit defaulting beneficiaries from opting in to the M3P in the new plan.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

What happens in the event of beneficiary death?

Debts will be collected in accordance with state and federal laws, and the Fair Credit Reporting Act. How the debt is settled, would be determined by the individual circumstances or the enrollee. If the debt cannot be settled/collected, it will be "treated as plan losses".

40. Participant Billing Rights
CMS reminds Part D sponsors (and any third parties Part D sponsors contract with) that actions to collect unpaid balances related to the program may be subject to other applicable federal and state laws and requirements, including those related to payment plans, credit reporting, and debt collection. For example, as such unpaid balances would be related to the provision of health care to an individual, information about such debt should be considered "medical information" under the Fair Credit Reporting Act, 15 U.S.C. § 1681 et seq., and treated accordingly if furnished to a consumer reporting agency. These requirements also apply in the event of a death of a program participant. Additionally, CMS reminds Part D sponsors that, under section 1860D–2(b)(2)(E)(v)(VI) of the Act, any unsettled balances with respect to amounts owed under the program will be treated as plan losses; bidding guidance for CY 2025 is included in section 60.1 of the draft part two guidance.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

How are claims processed after opt-in?

After a Part D Enrollee elects to Opt-In to the M3P, all the OOP cost shares that would have been collected at the Pharmacy/POS are put into a Pharmacy claims billing process.

Part D Plans are required to pay the claim for the Part D Enrollee's OOP Cost Share within:

14 Days for Electronic Claims

30 Days for Paper Claims

Timeframes assume readjudication is not required and there are no processing delays/errors.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Medicare Prescription Payment Plan

How are claims processed after opt-in?

Bank Identification Number (BIN)
Processor Control Number (PCN)

All PCNs will start with MPPP

Example of electronic claims processing workflow:

1. Pharmacy submits claim billing transaction using Part D plan's primary BIN/PCN.
2. Pharmacy receives paid claim response reflecting Part D plan and participant responsibility amounts. a. Pharmacy receives message on paid claim that individual is enrolled in the Medicare Prescription Payment Plan and is provided with the plan's Medicare Prescription Payment Plan BIN/PCN, along with any known OHI (if applicable).
3. Pharmacy submits COB transactions to known OHI (if applicable). a. If Part D copay is already $0, then COB transaction to OHI is not necessary.
4. Pharmacy submits final COB claim billing transaction to the plan's Medicare Prescription Payment Plan BIN/PCN reflecting final participant responsibility amount after all other payers have paid. a. If participant responsibility has already been reduced to $0 by OHI, then COB transaction to the plan's Medicare Prescription Payment Plan BIN/PCN is not necessary.
5. Pharmacy receives paid claim response reflecting $0 participant responsibility and the corresponding dollar amount indicated as plan payment. a. The participant responsibility amount paid by the plan's Medicare Prescription Payment Plan BIN/PCN on this final COB transaction would be considered the OOP costs covered by the Part D sponsor to be used for subsequent participant billing purposes.

Medicare Prescription Payment Plan Final Part One Guidance (PDF)

2025 Part D Changes

Key Takeaways

1 Only Part D Enrollees who have high drug costs towards the first half of the year or those who cannot afford a high drug cost fill in one month should opt-in to the M3P/MPPP. These beneficiaries should be well-educated on costs prior to filling their prescriptions.

2 Retail agents (those staffing Wal-Mart, Walgreens, Kroger, etc) should be well educated on the M3P. You will be needed. This is your time to shine and show extreme value in this space, bridging a chasm in the industry, and keeping beneficiaries from falling into it.

3 Beneficiaries with stable/average/low drug costs (or LIS) throughout the year will experience a **"Balloon mortgage"** type of payment structure. They typically should not Opt-In.

4 For beneficiaries in point 3, M3P payments hit peak cost in NOVEMBER / DECEMBER, the worst time of year for that to happen to a beneficiary on a fixed income. This WILL cause a higher number of default in these months.

Thank you for all that you do to improve the lives of your clients and the communities you serve!

We wish you an incredible AEP!

Happy Selling!

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Call 1-855-781-8088

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