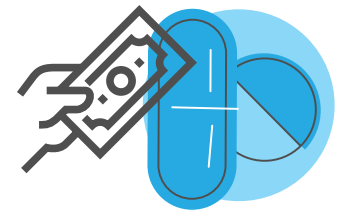


Fact Sheet: Medicare Prescription Payment Plan Final Part One Guidance



In August 2022, President Biden signed the Inflation Reduction Act of 2022 (P.L. 117-169) into law. The prescription drug law makes improvements to Medicare by expanding benefits, lowering drug costs, and improving the sustainability of the Medicare program for generations to come. It provides meaningful financial relief for millions of people by improving access to affordable treatments and strengthening Medicare, both now and in the long run.

Beginning in 2025, the prescription drug law 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. This will be helpful for people with Medicare Part D who have high cost sharing earlier in the plan year by spreading out those expenses over the course of the year. While this program is available to anyone with Part D, CMS will be developing tools that will help Part D enrollees and their caregivers decide whether the program is right for them, as not all enrollees may benefit from the program. CMS named this program the Medicare Prescription Payment Plan.

CMS is releasing **final part one guidance** that primarily focuses on operational requirements for the program. This final part one guidance includes a summary of significant comments that CMS received in response to the draft part one guidance, which was issued August 21, 2023, as well as the agency's response to those significant comments. This guidance also complements the recently released **draft part two guidance**, issued on February 15, 2024, which focuses on Part D enrollee education, outreach, and communications related to the Medicare Prescription Payment Plan. In addition to the recently released guidance documents, CMS also developed several model documents that are available for public comment through an Information Collection Request.

Q: What is the Medicare Prescription Payment Plan?

The Medicare Prescription Payment Plan is a new program created under the Inflation Reduction Act that requires Part D plan sponsors to provide their enrollees with the option to pay out-of-pocket prescription drug costs in the form of monthly payments over the course of the plan year instead of all at once to the pharmacy. The program begins January 1, 2025. Program participants will pay \$0 to the pharmacy for covered Part D drugs, and Part D plan sponsors will then bill program participants monthly for any cost sharing they incur while in the program. Pharmacies will be paid in full by the Part D sponsor in accordance with Part D prompt payment requirements.

Q: Who is likely to benefit from the Medicare Prescription Payment Plan?

Being able to pay high cost sharing amounts in the form of monthly payments instead of all at once to the pharmacy will improve access to — and affordability of — prescription drugs for some people with Medicare Part D. This option can help program participants who face high cost sharing for prescription drugs manage these costs by spreading them out over the course of the plan year. While this program is available to anyone with Medicare Part D, enrollees with high cost sharing earlier in the plan year are more likely to benefit from the program. For Medicare enrollees with Part D who are eligible for the Low-Income Subsidy (LIS) (also known as Extra Help), enrollment in Extra Help is more advantageous than the Medicare Prescription Payment Plan. The final part one guidance includes detailed examples of the monthly payment calculation, including for mid-year plan switches.

Q. Will the Medicare Prescription Payment Plan reduce individuals' overall out-of-pocket costs?

No, this program does not reduce the amount of money that an individual pays in out-of-pocket costs; it helps individuals with high costs spread those costs out throughout the plan year. The **Medicare Savings Programs** and **Medicare's Part D Low Income Subsidy program** (also called "Extra Help") are programs that help reduce costs for individuals who qualify based on income and resource limits, and we strongly encourage individuals to check their eligibility for these programs before they consider participating in the Medicare Prescription Payment Plan.

Q: Are individuals in the Extra Help program eligible to participate in the Medicare Prescription Payment Plan?

The Extra Help program, for those who qualify, is more advantageous than participation in the Medicare Prescription Payment Plan. At the same time, Part D sponsors must provide all Part D enrollees with the option to participate in the Medicare Prescription Payment Plan, including those in the Extra Help program. CMS recognizes, however, that Part D enrollees incurring high out-of-pocket costs earlier in the plan year are generally more likely to benefit from the Medicare Prescription Payment Plan, as well as Part D enrollees who are not already receiving assistance to pay for their Part D prescription drugs through the Extra Help program or other financial assistance programs. CMS is seeking input on draft model materials for use by plan sponsors that, in addition to communicating important information about the Medicare Prescription Payment Plan, also make people with Medicare aware of programs like the Extra Help program.

Q: What does the final part one guidance include?

The final part one guidance focuses on Part D plan sponsor operational requirements and contains:

- Program calculations for the monthly payment amounts and detailed examples demonstrating the calculations.
- Instructions for Part D sponsors on how to handle monthly billing, including specific information that must be included in the monthly bill.

- Requirements for Part D sponsors to promptly reimburse pharmacies the cost sharing amount that would otherwise have been collected from program participants.
- Requirements for claims processing under the program that ensure program participants are charged \$0 at the pharmacy.
- Requirements for identification of Part D enrollees who are likely to benefit from the program based on out-of-pocket costs at the point-of-sale (POS).
- Requirements related to Part D enrollee election into the program.
- Procedures for termination, reinstatement, and preclusion of program participation.
- Participant protections under the program, including notice and grace period requirements, if a monthly bill has not been paid on time.
- Participant dispute resolution process requirements.
- Data submission requirements.

Q: What changed in the final part one guidance for the Medicare Prescription Payment Plan?

The key change in the final part one guidance is the establishment of the threshold for identification of Part D enrollees who are likely to benefit. This threshold is a \$600 pharmacy POS threshold based on a single prescription. This approach identifies Part D enrollees with a very high likelihood of benefiting from the Medicare Prescription Payment Plan program, while reducing the risk of identifying Part D enrollees for whom the program may not be as helpful. We also finalized the requirement for Part D sponsors to process election requests during the plan year within 24 hours. Other updates include:

- A statement that while real-time/POS election will not be required in 2025, CMS is committed to exploring potential mechanisms that can be implemented for future years.
- A reminder for Part D sponsors (and any third parties Part D sponsors contract with) that any actions to collect unpaid balances related to the program may be subject to other applicable federal and state laws and requirements, noting that such unpaid debt should be considered "medical information" under the Fair Credit Reporting Act.

- A requirement for Part D sponsors to use a Bank Identification Number (BIN) and/or Processor Control Number (PCN) that is unique to the Medicare Prescription Payment Plan to ensure program participants are charged \$0 at the pharmacy.
- Additional detailed examples of the program calculation.
- References to the Information Collection Request (ICR) packages related to the program's model materials and data collection requirements and instructions for how to submit comments on them.

Q: When can Part D enrollees opt into the Medicare Prescription Payment Plan? How will Part D enrollees opt into the program?

Starting with plan year 2025, any Part D enrollee may opt into the program prior to the beginning of a plan year or in any month during a plan year. Part D enrollees or their legal representative will be able to opt in directly with their Part D plan sponsor via several different mechanisms. When Part D sponsors receive a request to opt into the program before the plan year begins, they must process the request within 10 calendar days of receipt. When a request is received during the plan year, they must process it within 24 hours of receipt.

Although real-time/POS election will not be required in 2025, CMS is committed to exploring real-time/POS election mechanisms that can be implemented for future years.

Q: Can individuals opt out of the Medicare Prescription Payment Plan once they have opted in? Can an individual's participation be terminated?

Yes, Part D plan sponsors must have a process in place to allow their program participants to opt out at any point during the plan year. Part D plan sponsors will continue to send monthly bills after someone opts out, and, though they cannot require it, they can also give the Part D enrollee the option to repay their outstanding balance as a lump sum. After opting out, the individual will pay any new out-of-pocket costs directly to the pharmacy.

If a participant fails to pay the amount, they are billed by the Part D sponsor, their participation in the program may be terminated following a required two-month grace period. Importantly, the Part D plan sponsor is not permitted to terminate the individual's enrollment in the Part D plan due to failure to pay Medicare Prescription Payment Plan bills. Part D plan sponsors must also have a reinstatement process in place to allow individuals to resume participation in the Medicare Prescription Payment Plan in the same plan year.

Q: What is the role of pharmacies in this new Medicare Prescription Payment Plan?

The law requires Part D sponsors to notify the pharmacy when one of their Part D enrollees incurs out-of-pocket costs for covered Part D drugs that make it likely the individual may benefit from the program. If a Part D enrollee has cost sharing for a single covered Part D drug of \$600 or more and has not already opted into the program, the Part D sponsor will be required to notify the pharmacy to inform the individual about the program. The pharmacy will provide the Part D enrollee with the Medicare Prescription Payment Plan Likely to Benefit Notice, a standardized notice that all Part D sponsors are required to use.