

Medicare Part D Changes and Their Impact

September 11, 2024



Alliance for
Patient Access

What is Medicare?

Medicare

Part A



Part A covers
hospital stays and
inpatient care

Part B



Part B helps pay
for doctor visits and
outpatient care

Part C



Medicare Advantage
Plan (**Part C**)
Includes
Part A + Part B

Part D



Part D
Prescription Drug
Coverage

Medicare Part D – Prescription Drug Benefit

2003: Medicare Part D (Medicare prescription drug benefit) was enacted as part of the Medicare Modernization Act of 2003

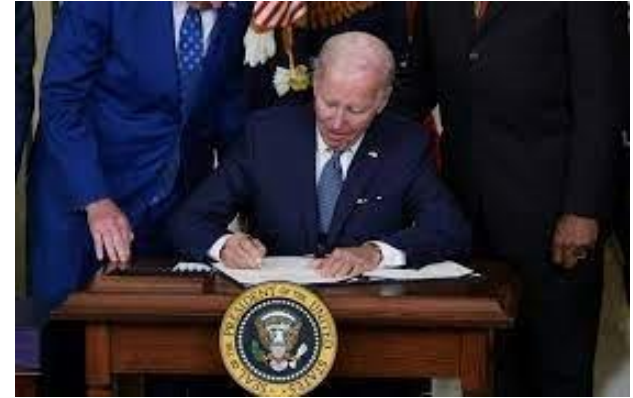
2006: Effective January 1st. Drug benefits are provided by private insurance plans that receive premiums from both enrollees and the government. Part D beneficiaries were subject to the Medicare coverage gap, also known as the Medicare donut hole.

2010: The Affordable Care Act (ACA) was signed into law, beginning a gradual elimination of the Medicare Part D coverage gap.

2025: The Inflation Reduction Act caps out-of-pocket costs at \$2,000 and will require all Medicare Part D plans to offer enrollees the option to pay costs in the form of capped monthly payments.

Inflation Reduction Act P.L.117-169

- Signed into law on August 16, 2022
- Inflation Reduction Act provisions:
 - Part D Restructure
 - Medicare Drug Price Negotiation
 - Inflation Rebate



Medicare Part D Restructure: 2024

Here's what happened this year:

- Elimination of cost sharing in the catastrophic phase
- Cap on premium increases
- Zero cost sharing for vaccines
- Expanded low-income subsidy program



Medicare Part D Restructure: 2025

What to expect next year:

- \$2,000 out-of-pocket cap
- Prescription payment plan
- Elimination of coverage gap
- Manufacturer discount during catastrophic phase of Part D



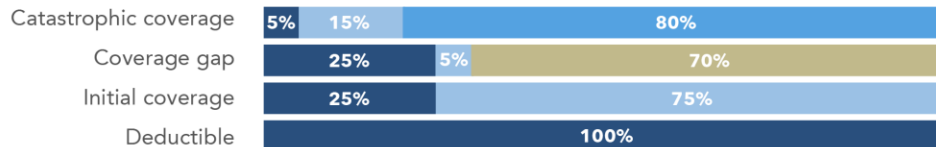
Out-of-Pocket Cap

- Under this provision, out-of-pocket prescription drugs cost for Part D will be capped at \$2,000.
- The roughly 1.4 million people affected will save 56%, or \$1,100, on average.
- Concerns over increasing the difficulty for some Part D plan sponsors to offer low-priced coverage.

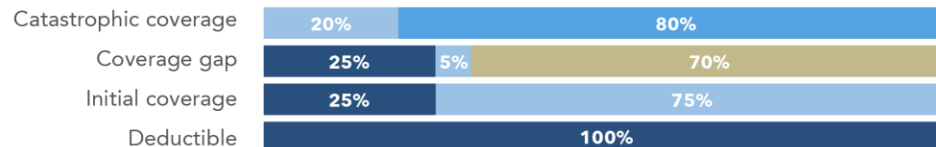
Share of total drug costs paid by:



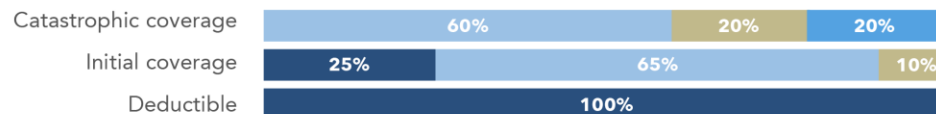
2023



2024



2025



New Medicare Part D Out-Of-Pocket Spending Cap is an Important Improvement for Enrollees Facing High Prescription Drug Costs (aarp.org) What to Know About Medicare Part D Premiums | KFF

Key Takeaways

Notice to Enrollees



Requires Part D plans to **provide information** about the Payment Plan to enrollees



CMS is **developing a model** on Medicare Prescription Payment Plan participation Request Form for Part D sponsors



CMS will apply changes to the CMS-provided materials **before the plan year begins**



Part D plan sponsors must provide the Medicare Prescription Payment Plan **"Likely to Benefit" Notice**



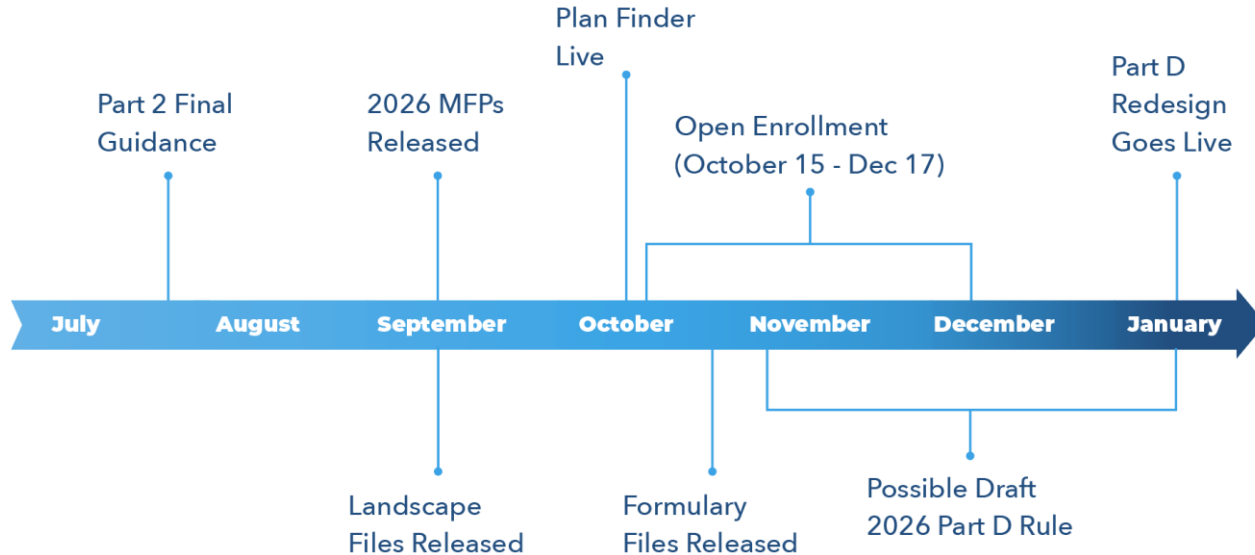
CMS will **provide education on Medicare.gov**



All pharmacies must provide the Medicare Prescription Payment Plan "Likely to Benefit" Notice at point of sale

Regulatory and Key Dates

Medicare Part D Restructure 2024 Timeline



Medicare Prescription Payment Plan

AfPA Patient Guide



Medicare patients in the Part D prescription drug program often face significant out-of-pocket costs early in the year while trying to meet their deductible. **A new program, the Medicare Prescription Payment Plan, will help make prescription drug costs more manageable for patients.**

What is the Medicare Prescription Payment Plan?

The program has two main benefits for seniors:



Patients' out-of-pocket costs will be **capped at \$2,000** a year.



Patients can **spread their prescription costs** evenly across 12 monthly payments.

How will the program work?



1 A patient will enroll in the Medicare Prescription Payment Plan.



2 The patient's Part D plan sponsor will pay their upfront out-of-pocket costs.



3 The patient's annual out-of-pocket expense will be divided into 12 installments. Each month the patient will make his or her monthly payment to the Part D sponsor, instead of paying the pharmacy.

If patients accrue additional costs throughout the year, their payments may adjust. But their annual total will not exceed \$2,000.

How can I opt in?

Patients can opt in to the Medicare Prescription Payment Plan directly with their Part D sponsor during open enrollment season, which begins October 15, 2024.

When can a patient opt in to the program?

October 15, 2024. Enrollment opens

January 1, 2025. Medicare Prescription Payment Plan begins

After initial enrollment opens on October 15, 2024, Medicare Part D patients may opt in at any point during the year.

The Medicare Prescription Payment Plan can make out-of-pocket costs more manageable, allowing patients to focus on what matters to them.



Alliance for Patient Access

The Alliance for Patient Access is a national network of policy-minded health care providers advocating for patient-centered care.

AllianceforPatientAccess.org



Medicare Part D Prescription Payment Plan

Who Should Opt In?

While the Medicare Prescription Payment Plan is open to all Part D enrollees, **Part D enrollees incurring high out-of-pocket (OOP) costs earlier in the plan year are generally more likely to benefit.**

Enrollees may base their likelihood of benefit off their monthly and annual OOP costs for previous years.

- Enrollee's OOP costs amount to at least \$2,000 in the first three quarters of the year
- Enrollee's highest monthly OOP cost is greater than the highest monthly paid amount under the Medicare Prescription Payment Plan

Base Beneficiary and National Premium Increase



The **national average monthly bid amount** will be \$179.45, up 179% from \$64.28 in 2024.

It is an enrollment-weighted average of all applicable Part D plan bids for basic Part D benefits.



The **base beneficiary premium** will be \$36.78, up 6% from 2024.

It represents the maximum growth that the base beneficiary premium can increase annually.



CMS also announced a **voluntary demonstration** to test whether additional premium stabilization and revised risk corridors for standalone prescription drug plans will increase plan efficiency given the higher liability facing Part D plans.

Key Takeaways

From Demonstration Program



Overview

- Reduces the base beneficiary premium by \$15
- Limits annual increases of the total Part D premiums to \$35; specifically, any plan-specific total Part D premium would not be permitted to increase more than \$35 from CY 2024
- Adapts risk corridors to provide for greater government risk-sharing for potential plan losses



Eligibility

- Voluntary and nationwide
- Part D sponsors with multiple stand-alone plans
- PDP contracts must include all contracts in the demonstration if they choose to participate



Duration

- Demonstration is designed for one year and at least two subsequent demonstration years, with parameters to be adjusted in those subsequent years
- Sponsors participating in 2025 will have the opportunity participate in future years; sponsors must participate in 2025 to participate in subsequent years

Key Takeaways

What Enrollees Need to Know

- Medicare Part D Prescription Drug Benefit Redesign – January 2025
 - \$2,000 Annual Cap
 - Medicare Prescription Payment Plan
- Opt In / Not for Everyone
- New Payment Structure
- Penalty for Payment Lapse
- Get information
 - CMS
 - Insurance Provider
 - Healthcare Provider
 - Patient Advocacy Organizations

Questions