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Center for Medicare & Medicaid Innovation

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TO: Part D Senior Savings Model Participating Part D Sponsors

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SUBJECT: **CORRECTION -** Part D Senior Savings Model Prescription Drug Event (PDE) Reporting Guidance (Part 2)

This memo is providing a correction to the Patient Pay amount and Patient Liability Reduction due to Other Payer Amount in Example #1.

The Part D Senior Savings Model (hereinafter referred to as the Model) is testing the impact of allowing Part D sponsors to offer enhanced alternative (EA) prescription drug plans with supplemental benefit coverage in the Coverage Gap, for Model drugs, where the supplemental benefits apply **after** Model-participating manufacturers provide the 70 percent discount. This scenario does not occur outside of the Model. Therefore, this guidance is being issued to demonstrate PDE calculations pertinent to this scenario and to respond to frequently asked questions from participating Part D sponsors. We continue to review additional questions not addressed in this document and will issue further guidance if necessary.

The following examples establish and illustrate PDE reporting requirements for Model plan participants that have a Plan Selected Model Drug PDE straddling the Coverage Gap and Catastrophic phases of the Part D Benefit. The examples demonstrate to participating Model EA plans how to calculate remaining drug costs in the Coverage Gap in order to calculate the Coverage Gap discount amount prior to applying any supplemental benefits for Plan Selected Model Drugs. When an EA plan does not offer supplemental benefits in the Coverage Gap, the drug costs remaining in the Coverage Gap are calculated using the defined standard method. This is the method that CMS expects plan sponsors to use for Model drugs. Consistent with 42 C.F.R. § 423.104(d)(5), the beneficiary cannot advance into the Catastrophic phase until the Out-of-Pocket (OOP) Threshold is exceeded (see Example #3). The examples use 2021 defined standard parameters ($445.00 Deductible, $4,130.00 Initial Coverage Limit (ICL), and $6,550.00 OOP Threshold). Please note that these examples do not apply to PDE reporting outside of the Model for Plan Selected Model Drugs and should not be relied upon by non-Model Part D plans.

CMS is currently in the process of updating the Drug Data Processing System (DDPS) to address edit 870 rejections that Part D sponsors are receiving when submitting PDEs for Plan Selected Model Drugs in accordance with Example #3 in this memorandum. CMS will notify Part D sponsors when this update is complete.

Example #1: PDE for a Plan Selected Model Drug that straddles two copay benefit phases (Coverage Gap to Catastrophic) and the drug cost remaining in the Coverage Gap exceeds the Model-Specific Supplemental copay

This example demonstrates how to report a PDE for a $300.00 Plan Selected Model Drug, having a $295.00 ingredient cost and a $5.00 dispensing fee. The EA plan has a $35 copay for tier 3 drugs until the Catastrophic phase (this is also the **Model-Specific Supplemental** copay) and does not have supplemental benefits in the Catastrophic phase.

Step 1 - Determine costs that fall within the Coverage Gap:

When the claim adjudication begins, the Total Gross Covered Drug Cost (TGCDC) Accumulator is $12,000.00 and the True Out-of-Pocket Cost (TrOOP) Accumulator is $6,430.00; the beginning benefit phase is the Coverage Gap. Remaining TrOOP is $120.00. To determine the drug cost in the Coverage Gap, the remaining TrOOP amount is divided by 1 minus the covered plan cost-sharing in the Coverage Gap or 0.95. The total drug cost in the Coverage Gap is $126.32. This amount excludes the dispensing fee, which falls completely in the Catastrophic phase.

Step 2 – Determine the discount eligible cost:

Because this is a Plan Selected Model Drug, the discount eligible cost is equal to the ingredient cost falling in the Coverage Gap, which is $126.32. The dispensing fee falls in the Catastrophic phase.

Step 3 - Calculate the Gap Discount:

The gap discount is 70% of the $126.32 discount eligible cost or $88.42.

Step 4 - Determine beneficiary cost-sharing:

The beneficiary has a $35 copay for tier 3 drugs in the Coverage Gap and does not have supplemental coverage in the Catastrophic phase. As consistent with long-standing Part D policy, when the plan charges a copay in adjoining benefit phases, for a PDE that straddles both of those phases, the beneficiary pays only the copay associated with the benefit phase in which the adjudication began, and the copay is capped at the remaining drug cost in the beginning phase.[1] In the Catastrophic phase, the beneficiary is responsible for the greater of 5% of drug costs falling in the Catastrophic phase ($173.68 * 0.05 = $8.68) or $9.20. In this case, the beneficiary would normally pay the copay of $9.20. Because the beneficiary has a copay in both the Coverage Gap and Catastrophic phase, the beneficiary is only responsible for a capped copay of $31.58 in the Coverage Gap (remaining TrOOP in the Coverage Gap after the Gap Discount is applied ($120.00 - $88.42)).

Step 5 - Calculate Covered D Plan Paid (CPP) Amount, Non-Covered Plan Paid (NPP) Amount, and Patient Liability Reduction due to Other Payer (PLRO) Amount:

For Plan Selected Model Drugs, supplemental benefits that fall in the Coverage Gap are reported as PLRO and supplemental benefits that fall in the Catastrophic phase are reported as NPP.

Coverage Gap: To determine the portion of this amount that is CPP, we consider this claim in light of the defined standard benefit where CPP is 5% of ingredient cost and sales tax in the gap plus 75% of dispensing fee in the gap. Because the amount of the claim falling in the Catastrophic phase exceeds the

[1] See HPMS memorandum, *Q&A Addressing Claims Straddling Co-payment Benefit Phases*, April 26, 2007 (available at https://www.cms.gov/httpseditcmsgovresearch-statistics-data-and-systemscomputer-data-and-systemshpmshpms-memos-archive/hpms-memos-2007-qtrs-1-4)

dispensing fee on the claim, there is no plan liability for this fee in the Coverage Gap. CPP equals $6.32 ($126.32 * .05). PLRO is determined by taking the cost falling within the Coverage Gap and subtracting the beneficiary cost-sharing, reported gap discount, and CPP. PLRO is $126.32 – ($31.58+ $88.42 + $6.32) = $0.00.

Catastrophic phase: CPP is the lesser of 95% of the drug cost in Catastrophic or drug cost in the Catastrophic minus $9.20. In this case, CPP is $164.48 (($173.68 * 0.95 = $165.00) > ($173.68 - $9.20 = $164.48)). NPP is determined by taking the cost falling within the Catastrophic phase and subtracting the beneficiary cost-sharing and CPP. NPP is $173.68 – ($0.00 + $164.48) = $9.20.

PDE Fields	**Value**
TGCDC Accumulator	$12,000.00
TrOOP Accumulator	$6,430.00
Tier	3
GDCB	$126.32
GDCA	$173.68
Ingredient Cost	$295.00
Dispensing Fee	$5.00
Beginning Benefit Phase	G
Ending Benefit Phase	C
Patient Pay	$31.58
CPP	$170.80
NPP	$9.20
PLRO	$0.00
Reported Gap Discount	$88.42

Example #2: PDE for a Plan Selected Model Drug that straddles copay to coinsurance benefit phases (Coverage Gap to Catastrophic) and the drug cost remaining in the Coverage Gap is below the Model-Specific Supplemental copay

This example demonstrates how to report a PDE for a $300.00 Plan Selected Model Drug on tier 3, having a $295.00 ingredient cost and a $5.00 dispensing fee. The EA plan has a $35 copay for tier 3 drugs until the Catastrophic phase (this is also the **Model-Specific Supplemental** copay) and does not have supplemental benefits in the Catastrophic phase.

Step 1 - Determine costs that fall within the Coverage Gap:
When the claim adjudication begins, the TGCDC Accumulator is $12,100.00 and the TrOOP Accumulator is $6,530.00; the beginning benefit phase is the Coverage Gap. Remaining TrOOP is $20.00. To determine the drug cost in the Coverage Gap, the remaining TrOOP amount is divided by 1 minus the covered plan cost-sharing in the Coverage Gap or 0.95. The total drug cost in the Coverage Gap is $21.05. This amount excludes the dispensing fee, which falls completely in the Catastrophic phase.

Step 2 – Determine the discount eligible cost:
Because this is a Plan Selected Model Drug, the discount eligible cost is equal to the ingredient cost falling in the Coverage Gap, which is $21.05. The dispensing fee falls in the Catastrophic phase.

Step 3 - Calculate the Gap Discount:
The gap discount is 70% of the $21.05 discount eligible cost or $14.74.

Step 4 - Determine beneficiary cost-sharing:
The beneficiary has a $35 copay for tier 3 drugs in the Coverage Gap and does not have supplemental coverage in the Catastrophic phase. Because there is only $5.26 of remaining TrOOP in the Coverage Gap ($20.00 - $14.74), the beneficiary pays a capped copay of $5.26 in the Coverage Gap instead of $35.00. In the Catastrophic phase, the beneficiary is responsible for the greater of 5% of drug costs falling in the Catastrophic phase ($278.95 * 0.05 = $13.95) or $9.20. In this case, the beneficiary pays a total of $19.21 ($13.95+$5.26).

Step 5 - Calculate CPP, NPP, and PLRO amounts:
For Plan Selected Model Drugs, supplemental benefits that fall in the Coverage Gap are reported as PLRO and supplemental benefits that fall in the Catastrophic phase are reported as NPP.

Coverage Gap: To determine the portion of this amount that is CPP, we consider this claim in light of the defined standard benefit where CPP is 5% of ingredient cost and sales tax in the gap plus 75% of dispensing fee in the gap. Because the amount of the claim falling in the Catastrophic phase exceeds the dispensing fee on the claim, there is no plan liability for this fee in the Coverage Gap. CPP equals $1.05 ($21.05 * .05). PLRO is determined by taking the cost falling within the Coverage Gap and subtracting the beneficiary cost-sharing, reported gap discount, and CPP. PLRO is $21.05 – ($5.26 + $14.74 + $1.05) = $0.00.

Catastrophic phase: CPP is the lesser of 95% of the drug cost in Catastrophic or drug cost in the Catastrophic minus $9.20. In this case, CPP is $265.00 (($278.95 * 0.95 = $265.00) < ($278.95 - $9.20 = $269.75)). NPP is determined by taking the cost falling within the Catastrophic phase and subtracting the beneficiary cost-sharing and CPP. NPP is $278.95 – ($13.95 + $265.00) = $0.00.

PDE Fields	Value
TGCDC Accumulator	$12,100.00
TrOOP Accumulator	$6,530.00
Tier	3
GDCB	$21.05
GDCA	$278.95
Ingredient Cost	$295.00
Dispensing Fee	$5.00
Beginning Benefit Phase	G
Ending Benefit Phase	C
Patient Pay	$19.21
CPP	$266.05
NPP	$0.00
PLRO	$0.00
Reported Gap Discount	$14.74

Example #3: PDE for a Plan Selected Model Drug that would straddle two benefit phases (Coverage Gap to Catastrophic) if the Model-Specific Supplemental copay did not apply and the PDE was adjudicated as a Defined Standard plan claim

This example demonstrates how to report a PDE for a $300.00 Plan Selected Model Drug on tier 3, having a $295.00 ingredient cost and a $5.00 dispensing fee. The EA plan has a $35 copay for tier 3 drugs until the Catastrophic phase (this is also the **Model-Specific Supplemental** copay) and does not have supplemental benefits in the Catastrophic phase.

Step 1 - Determine costs that fall within the Coverage Gap:
When the claim adjudication begins, the TGCDC Accumulator is $11,500.00 and the TrOOP Accumulator is $6,350.00; the beginning benefit phase is the Coverage Gap. Remaining TrOOP is $200.00. Prior to the plan applying supplemental benefits, the claim would straddle the Catastrophic phase. It would be assumed that the dispensing fee is in the Catastrophic phase. To determine the drug cost remaining in the Coverage Gap based upon the defined standard benefit, the remaining TrOOP is divided by 1-covered plan cost-sharing or $200.00/.95 = $210.53.

Step 2 – Determine the discount eligible cost:
Because this is a Plan Selected Model Drug, the discount eligible cost is equal to the ingredient cost falling in the Coverage Gap, which is $210.53.

Step 3 - Calculate the Gap Discount:
The gap discount is 70% of the $210.53 discount eligible cost or $147.37.

Step 4 - Determine beneficiary cost-sharing:
The beneficiary has a $35 copay for tier 3 drugs in the Coverage Gap under the Model. The accumulated TrOOP is $182.37 ($147.37+ $35.00). Because TrOOP remains below the OOP threshold after the application of the **Model-Specific Supplemental** copay, the entire claim falls within the Coverage Gap.

Step 5 - Calculate CPP and PLRO amounts:
For Plan Selected Model Drugs, supplemental benefits that fall in the Coverage Gap are reported as PLRO. In 2021, when a claim with a gap discount falls in the Coverage Gap, the plan will report 5% of the negotiated price and 75% of the dispensing fee that fall in the Coverage Gap as CPP. Prior to the application of the **Model-Specific Supplemental** copay for the Plan Selected Model Drug, CPP is determined to be 5% of the portion of the ingredient cost and sales tax in the Coverage Gap, which is $10.53 (.05 * $210.53). PLRO is determined by subtracting the beneficiary cost-sharing, reported gap discount, and CPP from the total drug cost. PLRO is $300.00 – ($35.00 + $147.37 + $10.53) = $107.10.

PDE Fields	Value
TGCDC Accumulator	$11,500.00
TrOOP Accumulator	$6,350.00
Tier	3
GDCB	$300.00
GDCA	$0.00
Ingredient Cost	$295.00
Dispensing Fee	$5.00
Beginning Benefit Phase	G

Ending Benefit Phase	G
Patient Pay	$35.00
CPP	$10.53
NPP	$0.00
PLRO	$107.10
Reported Gap Discount	$147.37