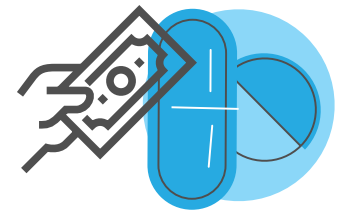


# Fact Sheet: Medicare Prescription Payment Plan



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

**For the first time, beginning in 2025, the new drug law requires all Medicare prescription drug plans (Medicare Part D plans) — including both stand-alone Medicare prescription drug plans and Medicare Advantage plans with prescription drug coverage — to offer enrollees the option to pay out-of-pocket prescription drug costs in the form of capped monthly installment 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 decide whether the program is right for them, as not all enrollees may benefit from the program.

For simplicity, CMS has renamed the Maximum Monthly Cap on Cost-Sharing Payments Program, established by section 11202 of the Inflation Reduction Act, to the Medicare Prescription Payment Plan. External parties should also use this name in any guidance and communications for the implementation of this program.

On August 21, 2023, CMS released draft guidance that is the first of two parts of guidance detailing the requirements and parameters of the Medicare Prescription Payment Plan. This draft guidance includes requests for public comment on key elements. CMS will issue the final version of the part one guidance and a draft version of part two guidance that addresses additional program elements in early 2024. These guidance documents build upon the [technical memorandum](#) CMS issued on July 17, 2023.

## Q: What is the Medicare Prescription Payment Plan?

The Medicare Prescription Payment Plan is a new program required under the Inflation Reduction Act under which Part D sponsors must provide enrollees 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 at the pharmacy, beginning in 2025. The Part D sponsor would then bill these program participants monthly for any cost-sharing they incur while in the program. The draft part one guidance, along with the technical memorandum and forthcoming draft part two guidance, outline the requirements and procedures of the Medicare Prescription Payment Plan.

## Q: What does the draft part one guidance include?

The draft part one guidance 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 Medicare Prescription Payment Plan participants.
- A proposal for discussion on the claims processing workflow and a process for claims adjudication for prescription drug transactions under the program that ensures participants are charged \$0 at the pharmacy.
- Proposed thresholds for identification of Part D enrollees who are likely to benefit from the program and Part D sponsor requirements for notifying these individuals through the pharmacy about the program.
- A discussion on the program's interaction with the Part D Low-Income Subsidy (LIS) program and

comment solicitation on how to ensure appropriate outreach and education to enrollees who may be eligible for low-income assistance programs.

- Requirements related to Part D enrollee election into the program, including the various election mechanisms that must be made available; standards for how quickly election requests must be processed; how the program interacts with mid-year plan election changes; and rules regarding the types of information that may and may not be collected during the election process.
- Procedures for termination of Medicare Prescription Payment Plan participation (both voluntary and involuntary), reinstatement after a prior termination, and preclusion from future participation in the program for failure to pay the monthly bills.
- 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 will the draft part two guidance include? When will it be released?**

The draft part two guidance will be released in early 2024 and have a 30-day comment period. It will contain, but not be limited to:

- Part D enrollee outreach and education.
- Medicare Part D plan bid information.
- Monitoring and compliance requirements.

### **Q: How will Part D enrollees benefit under the Medicare Prescription Payment Plan?**

Being able to pay high cost-sharing amounts in the form of monthly payments instead of all at once at 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 Part D, CMS will develop tools that will help Part D enrollees decide whether the program is right for them, as not all Part D enrollees may benefit from the program.

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

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 examples and more details about the monthly payment calculations, please refer to the July 17, 2023 [technical HPMS memorandum](#) and the draft part one guidance. Tools, including easy-to-use monthly cost estimators, which will help Part D enrollees and their families decide whether to opt into this program, will be available in time for open enrollment for plan year 2025.

### **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 (also called LIS/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 enrolling in the Medicare Prescription Payment Plan.

### **Q: When can Part D enrollees opt into the Medicare Prescription Payment Plan?**

Starting with plan year 2025, Part D enrollees may opt into the program prior to the beginning of a plan year, or in any month during a plan year.

### **Q: How do Part D enrollees opt into the Medicare Prescription Payment Plan?**

Any Part D enrollee can opt into the program. Starting with plan year 2025, Part D enrollees may opt into the program by contacting their Part D sponsor and completing the Medicare Prescription Payment Plan election process. The draft part one guidance specifies that the enrollee or their legal representative must complete an election request to opt into the program, and Part D sponsors must consider the election request regardless of the mechanism, which may include the use of a paper form, toll-free telephone number, or website

application process, all of which must be made available by the Part D sponsor. Part D sponsors must process election requests within 24 hours when an enrollee is already enrolled in a Part D plan, and requests to opt into the program during the plan year, to prevent drug dispensing delays.

### **Q. What do plan sponsors need to tell Part D enrollees who opt into the Medicare Prescription Payment Plan?**

When an election into the program has been approved, the Part D sponsor must provide the participant with an overview of the program, the effective date of the enrollee's participation in the program and examples of the monthly cap calculations. The Part D sponsor must also provide the participant with general information about the LIS program under Part D, also known as Extra Help, because LIS enrollment, for those who qualify, is more advantageous than participation in the Medicare Prescription Payment Plan alone. As discussed below, CMS is developing outreach and educational materials to share with people with Part D prior to the plan year.

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

Yes, Part D sponsors must provide all Part D enrollees with the option to opt into the program, including those in the Extra Help program. Individuals facing high cost-sharing earlier in the plan year are more likely to benefit from the program.

### **Q: For Part D enrollees who have opted into the Medicare Prescription Payment Plan, what cost-sharing will they pay at the pharmacy, and how will they be billed for the amounts due?**

Part D enrollees who opt into the program, known as program participants, will pay \$0 at the pharmacy for a covered Part D drug, instead of the cost-sharing amount they would normally pay when filling a prescription. The Part D sponsor must then bill program participants in monthly installments for any cost-sharing incurred. A Part D sponsor may not bill a participant who has opted into the program but has not yet incurred any costs during the plan year. CMS encourages Part D sponsors to offer multiple means of payment, such as an electronic fund

transfer mechanism and payment by cash or check. In the draft part one guidance, CMS also proposes several requirements related to the information Part D sponsors must include in their billing statements.

### **Q: Will opting into the program change anything about Part D benefits?**

No, total out-of-pocket Medicare Part D drug costs will not change because of the program. Opting into the program will not affect how people with Medicare move through the Part D benefit or what counts toward their deductible or annual out-of-pocket cost threshold. The only difference is how and when the program participant pays their Part D cost-sharing (in monthly payments to the plan instead of at the pharmacy).

### **Q: What types of drugs does the Medicare Prescription Payment Plan apply to?**

All covered Part D drugs are included in the program. Part D sponsors may not exclude any covered Part D drugs, and once a Medicare Part D enrollee has opted in, all of their out-of-pocket Part D prescription drug costs will be billed monthly, as required, while they remain in the program.

### **Q: Can individuals opt out of the Medicare Prescription Payment Plan once they have opted in?**

Yes. Part D sponsors must have a process in place to allow their program participants to opt out during the plan year. Part D sponsors are not permitted to require a lump sum repayment if someone opts out, rather the sponsor must continue to send monthly bills. However, a person opting out of the program could choose to pay off their remaining cost-sharing balance in one lump sum or continue to pay the monthly amounts. After opting out, the individual will pay any new out-of-pocket costs directly to the pharmacy.

### **Q: Can an individual's participation be terminated from the Medicare Prescription Payment Plan? And what program participant protections will there be?**

If a participant fails to pay the amount they are billed by the Part D sponsor, their participation in the program may be terminated. Importantly, while they would no

longer be able to participate in the Medicare Prescription Payment Plan, the Part D sponsor would not be permitted to terminate their enrollment in the Part D plan for this reason.

In the draft part one guidance, CMS is proposing a number of protections for program participants. These protections include requirements for Part D sponsors to issue timely notices for missed payments, offer a grace period of at least two months if a program participant fails to pay a monthly billed amount, provide a reinstatement process to allow individuals to resume participation in the program in the same plan year if they demonstrate good cause, and provide meaningful procedures for the timely hearing and resolution of grievances.

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

For Part D enrollees who have already opted into the Medicare Prescription Payment Plan, the Part D sponsor will tell pharmacies that the program participant does not need to pay anything when picking up their prescription. Pharmacies will be paid in full by the Part D sponsor, in accordance with Part D prompt payment requirements.

The law requires Part D sponsors to notify a 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. As provided in the draft part one guidance, if a Part D enrollee has not already opted into the program, the Part D sponsor will notify the pharmacy to inform the individual about the program if their cost-sharing for covered Part D drugs exceeds a dollar threshold based on either an individual prescription or all prescriptions filled on a single day. CMS provided data for a range of thresholds in the draft part one guidance but notes that above the \$700 threshold, there is minimal improvement in the proportion of those notified who would actually benefit from the program. CMS is seeking comment on the dollar threshold that should trigger the notification to the pharmacy, including the dollar amount within the range of \$400-\$700, and whether a single prescription or all prescriptions filled in a single day should count toward that threshold.

### **Q: How is CMS going to educate people with Medicare Part D about this new program?**

Outreach and education of people with Medicare Part D and their caregivers is one of the most critical elements of this program. This program will improve access to Part D drugs for people with high cost-sharing but will not benefit everyone. CMS will develop a broad range of educational materials and tools for Part D enrollees, pharmacies, prescribers, and others, that will be ready in advance of open enrollment for plan year 2025. CMS will also issue guidance for Part D sponsors concerning targeted outreach prior to the plan year for their enrollees who will likely benefit from the program.

### **Q: How can the public provide input on the new Medicare Prescription Payment Plan?**

CMS is using many tools to ensure interested parties' voices are heard on implementation of the new program. One such tool is the 30-day comment period for the draft part one guidance, which opened on August 21, 2023, and will conclude on September 20, 2023. Comments should be sent to [PartDPaymentPolicy@cms.hhs.gov](mailto:PartDPaymentPolicy@cms.hhs.gov) with the following subject line "Medicare Prescription Payment Plan Guidance." CMS will issue final part one guidance for 2025 in early 2024 after considering the public comments received in response to this draft guidance. In early 2024, draft part two guidance will also be issued with a 30-day comment period. Additionally, CMS will continue to engage with stakeholders through meetings, listening sessions, and other outreach activities.