Medicare Prescription Payment Plan
Partner Policy Questions & Answers

NOTE: "Part D plan sponsors" includes stand-alone Part D plans and Medicare Health Plans with drug coverage.

Election and Termination:

1. **Where does an enrollee opt into the Medicare Prescription Payment Plan - with the Part D plan, through Plan Finder, or with Medicare? Do Part D enrollees opt into the Medicare Prescription Payment Plan as part of enrolling into the Part D plan?**

   Part D sponsors must provide the option to opt into the Medicare Prescription Payment Plan to all Part D enrollees. Part D sponsors must have the following mechanisms available to Part D enrollees who wish to opt into the Medicare Prescription Payment Plan:

   - An election request form as part of the Part D (or MA-PD) member ID card issuance when an individual enrolls in an MA-PD or PDP;
   - A paper option that can be mailed
   - A toll-free telephone number; and
   - A website application.

   For CY 2025, when an individual signs up for a Part D plan, Part D sponsors will be required to include a Medicare Prescription Payment Plan election request form and information on the Medicare Prescription Payment Plan with the membership ID card hard copy mailing or in a separate mailing within the same timeframe as the membership ID card mailing.

2. **Can enrollment be done at the pharmacy/point of sale?**

   Pharmacy/point of sale election will not be available in 2025. To ensure a seamless election process for Part D enrollees and ensure they have timely access to the program and their Part D prescriptions, and to ease operational burden for Part D sponsors, CMS is requiring Part D sponsors to process election requests received during the plan year within 24 hours. Additionally, Part D sponsors can encourage those who are likely to benefit from the program to opt in prior to the plan year through strong education and outreach efforts.

3. **How does an enrollee opt out of the Medicare Prescription Payment Plan? Do they have to contact their drug plan directly?**

   Part D sponsors must have a process to allow a participant who has opted into the Medicare Prescription Payment Plan to opt out during the plan year. After the individual notifies the Part D sponsor that they intend to opt out under the Part D sponsor's established process, the Part D sponsor must provide the individual with a notice of termination. 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.

4. **Can an enrollee opt into and opt out of the Medicare Prescription Payment Plan at any time prior to or during the plan year? For enrollees opting into or out of the Medicare Prescription Payment Plan during the plan year, is there a deadline for the change to be effective for the following month?**

   Part D enrollees may opt into the Medicare Prescription Payment Plan prior to the beginning of the plan year or in any month during the plan year.

   When a current Part D enrollee requests to opt into the Medicare Prescription Payment Plan during the plan year, Part D sponsors must process the election request within 24 hours to prevent delays in dispensing drugs to individuals when they opt into the program. When a program participant voluntarily terminates their participation in the program, the Part D sponsor must process the participant's voluntary termination request and send the individual a notification confirming the termination within 10 calendar days of receipt of the request.

5. **When can Part D enrollees begin opting into the Medicare Prescription Payment Plan for January 2025?**

   Part D sponsors must accept Medicare Prescription Payment Plan elections beginning at the start of the Annual Enrollment Period (AEP/OEP), or October 15, 2024.

6. **Will the "good cause" plan reinstatement be available to enrollees if they lose coverage from a plan for non-payment of cost sharing as it exists for non-payment of premiums?**

   Yes. Part D sponsors must reinstate an individual who has been terminated from the Medicare Prescription Payment Plan if the individual demonstrates good cause for failure to pay the program billed amount within the grace period and pays all overdue amounts billed, and CMS is adopting the same meaning of "good cause" outlined in section 60.2.4 of the Medicare Prescription Drug Benefit Manual, Chapter 3 – Eligibility, Enrollment and Disenrollment that applies to reinstatements when an enrollee fails to pay their Part D premiums. Part D sponsors are expected to reinstate individuals into the Medicare Prescription Payment Plan within a reasonable timeframe after the individual has repaid their past due program balance in full. To demonstrate good cause, the individual must establish by a credible statement that failure to pay the monthly amount billed within the grace period was due to circumstances for which the individual had no control, or which the individual could not reasonably have been expected to foresee.

Changing Plans:

Is participation in the Medicare Prescription Payment Plan transferrable across plans? What happens when an enrollee has a special enrollment period (SEP) and changes plans mid-year?

Election into the Medicare Prescription Payment Plan takes place at the Plan level. If a program participant switches plans during the plan year or is reassigned by CMS, their participation in the Medicare Prescription Payment Plan is terminated. The new plan sponsor may not automatically sign up the individual for the Medicare Prescription Payment Plan under the individual's new plan. The Part D enrollee may choose to elect into the program with their new Part D plan, regardless of any balance owed to the prior Part D plan sponsor. Additionally, the prior Part D sponsor will continue to bill the participant monthly based on the participant's accrued out-of-pocket (OOP) costs while in the program under that plan. The prior Part D sponsor may offer the participant the option to repay the full outstanding amount in a lump sum but may not require full immediate repayment.

Billing and Payments:

1. **How will Part D plan sponsors bill enrollees for OOP cost sharing after they opt into the Medicare Prescription Payment Plan? What entity collects the Part D monthly payment amount? How often will plans bill enrollees? Will the Part D plan's monthly premium be billed separately**?

   Part D sponsors are responsible for sending monthly bills to program participants for any out-of-pocket cost sharing they incur while in the program. The billing statement requirements listed in section 40 of the final part one guidance are a minimum requirement for Part D sponsors, and CMS encourages plans to include additional information that they feel is pertinent to program participants. Any additional information that plans choose to include on the billing statement must abide by Part D regulations at 42 CFR Part 423 Subpart V, which define

standards for Part D required materials, content, and delivery requirements and are outlined in the Medicare Communications and Marketing Guidelines (MCMG).

In addition, CMS has encouraged Part D sponsors to offer participants flexibility around requesting a specific day of the month for program charges and withdrawals from a bank account.

Part D sponsors must send a separate bill for the collection of premiums, if applicable, and continue to follow existing regulations and guidance for the collection of premiums.

2. **Can an enrollee participating in the Medicare Prescription Payment Plan choose to pay more than they are billed?**

   While plans may not charge more than the monthly cap, participants may pay more than the monthly cap if they choose, up to the total amount of outstanding OOP costs incurred.

3. **What happens to enrollees who fail to pay their monthly bill for OOP cost sharing? Are they terminated from the Medicare Prescription Payment Plan? If so, what happens to their Part D coverage? Will they pay their copays at the pharmacy counter again? Are they still responsible for any outstanding balances?**

   The Part D sponsor must provide program participants with a grace period of at least 2 months when an individual has failed to pay the billed amount by the payment due date. The grace period must begin on the first day of the month for which the balance is unpaid or the first day of the month following the date on which the payment is requested, whichever is later. Individuals must be allowed to pay the overdue balance during the grace period to remain in the program. If that participant fails to pay the amount due during the required grace period, the Part D sponsor can terminate their participation in the program. Individuals who have been terminated from the program are still required to pay the amount they owe to the Part D plan sponsor but will pay the pharmacy directly for all future OOP drug costs. As stated in section 80.3 of the part one guidance, a Part D sponsor may preclude an individual from opting into the Medicare Prescription Payment Plan program in a subsequent year if the individual owes an overdue balance to that Part D sponsor.

   A Part D plan sponsor is prohibited from disenrolling a Part D enrollee from a Part D plan for failure to pay any amount billed under the Medicare Prescription Payment Plan. A Part D sponsor also cannot decline future enrollment into a Part D plan based on an individual's failure to pay a monthly amount billed under the Medicare Prescription Payment Plan.

4. **Does participating in the Medicare Prescription Payment Plan impact the total amount that an enrollee pays in OOP cost sharing throughout the year? What happens if an enrollee elects to participate and then opts out?**

   Participation in the Medicare Prescription Payment Plan may help an individual manage their monthly expenses but will not impact their total OOP drug costs. In a single calendar year (January – December), the participant will never pay more than the total amount they would have paid out of pocket to the pharmacy if they were not participating in this payment option. The Inflation Reduction Act (IRA) caps OOP drug costs at $2,000 in 2025; this is true for everyone with Medicare drug coverage, even if they do not participate in the Medicare Prescription Payment Plan.

   If an enrollee voluntarily opts out of participation during the plan year, 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 opted out of the program. 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.

5. **Are monthly premiums included in the Medicare Prescription Payment Plan?**

   The Medicare Prescription Payment Plan allows participants to pay $0 at the point of service for a covered Part D drug, instead of the OOP cost sharing they would normally pay when filling a prescription. This does not include monthly premium costs.

6. **If an enrollee dies mid-year, does their family or estate owe the remaining monthly payments?**

   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.

7. **Can a Part D enrollee participating in the Medicare Prescription Payment Plan still receive charitable assistance to help with their out-of-pocket costs for covered Part D drugs?**

   Yes. Part D enrollees participating in the Medicare Prescription Payment Plan may still receive help with their out-of-pocket costs for covered Part D drugs from charitable assistance programs, such as qualified State Pharmaceutical Assistance Programs (SPAPs), AIDS Drug Assistance Programs (ADAPs) and bona fide charities. Charitable assistance programs can reimburse Part D enrollees directly for out-of-pocket costs for covered Part D drugs and may also make payments to Part D sponsors on behalf of enrollees participating in the Medicare Prescription Payment Plan. The Medicare Prescription Payment Plan does not change any existing arrangements or practices between these organizations, Part D sponsors, and enrollees.

Calculations:

1. **How is the payment option determined? Can monthly payments be customized according to the beneficiary's needs or financial situation? Why are the payments not equal or consistent throughout the year?**

   The statute prescribes how the monthly payment must be calculated in each month, referred to as the "monthly cap." The formula for calculating the monthly cap differs for the first month of participation in the program, versus the remaining months of the year. The maximum monthly cap calculations include specifics of a participant's Part D drug costs (previously incurred costs and new OOP costs), as well as the number of months remaining in the plan year; consequently, the amount can vary from person to person and month to month.

2. **Is the payment plan based on projected drug costs or does it take into account actual expenses? For example, if the beneficiary opts into the payment plan in March, does the payment plan factor in actual expenses in January and February and then projected expenses for the remainder of the year?**

   The Medicare Prescription Payment Plan only applies to OOP cost sharing for covered Part D prescriptions filled after electing into the program. For example, if an enrollee opts into the program in March, the calculation for the first month's maximum cap will be based on OOP costs incurred to date (including costs incurred in January and February), but only the OOP costs incurred in March and subsequent months will be spread throughout the remaining months of the plan year. Enrollees' actual incurred OOP costs will continue to be folded into the program calculation for the remainder of the year until they reach the OOP max. Refer to Example #3 in the CMS-developed fact sheet (available at https://www.medicare.gov/publications/12211-whats-the-medicare-prescription-payment-plan.pdf) for an illustration of monthly costs for an individual who starts participating in the Medicare Prescription Payment Plan in April, with varying costs throughout the year.

3. **How does the payment option work if medications change in the middle of the year? Will it automatically adjust?**

   The monthly amount billed to participating enrollees updates each month with newly incurred costs. For example, if the enrollee fills a new prescription or refills an existing prescription their monthly payment may increase, because as new OOP costs get added to their monthly payment, there are fewer months left in the year to spread out their remaining payments.

4. **Where can we get the calculation formula?**

   The CMS-developed fact sheet (available at https://www.medicare.gov/publications/12211-whats-the-medicare-prescription-payment-plan.pdf) includes an explanation and examples of how monthly bills are calculated. The first month maximum cap is equal to the annual OOP threshold minus the incurred costs of the enrollee, divided by the

number of months remaining in the plan year. If the amount incurred in the first month of the program is less than the maximum monthly cap, the enrollee cannot be billed more than their actual OOP cost in that first month. For subsequent months, the maximum cap is equal to the sum of remaining costs not yet billed to the enrollee plus additional OOP costs incurred by the enrollee, divided by the number of months remaining in the plan year.

5. **Will the Medicare Prescription Payment Plan impact the attainment of deductibles and the OOP max?**

   Participation in the Medicare Prescription Payment Plan does not impact how a program participant moves through the Part D benefit or what counts towards their true out-of-pocket (TrOOP) costs; the total incurred costs and the timing of TrOOP accumulation do not change.

6. **When you say that the program is most likely to benefit enrollees with high costs at the beginning of the year, does that include a high deductible that can spread across following months? Or only co-pays?**

   Program calculations apply to all OOP Part D costs incurred, including those in the deductible phase.

Plan and Pharmacy Requirements:

1. **Do enrollees participating in the Medicare Prescription Payment Plan have to receive their prescriptions through mail order, or can they pick up prescriptions at their local pharmacy?**

   Participation in the Medicare Prescription Payment Plan does not impact an enrollee's ability to use the pharmacy of their choice. In general, all Medicare Prescription Payment Plan requirements are the same for every pharmacy type.

2. **Are all Part D plans required to offer the Medicare Prescription Payment Plan?**

   All Part D sponsors are required to provide all Part D enrollees with the option to elect into the Medicare Prescription Payment Plan. However, plans that exclusively charge $0 cost sharing for covered Part D prescriptions do not need to comply with this requirement.

3. **How will pharmacies be able to see that someone is opted in to the Medicare Prescription Payment Plan? What will the pharmacy staff see when they run an enrollee's prescription drug coverage card and how will they explain to the enrollee that their co-pay amount due will be billed by the plan at a later date?**

   Part D sponsors will communicate Part D enrollees' participation status with pharmacies via the required National Council for Prescription Drug Programs (NCPDP) Telecommunication Standard. The pharmacy claims processing requirements established by CMS will result in a $0 final claim response from the Part D sponsor to the pharmacy.

   While Part D plan sponsors must require pharmacies, after receiving a notification from the plan sponsor, to inform the Part D enrollee that it is likely that the Part D enrollee may benefit from the Medicare Prescription Payment Plan, this requirement for pharmacies to provide the "Medicare Prescription Payment Plan Likely to Benefit Notice" in no way obligates pharmacy staff to provide additional Medicare Prescription Payment Plan counseling or consultation to the Part D enrollee. CMS encourages pharmacies to make additional educational resources available to Part D enrollees identified as likely to benefit from the program at point of sale (POS); however, ultimately, the Medicare Prescription Payment Plan is an arrangement between the Part D sponsor and the Part D enrollee, and, as such, the Part D sponsor bears the responsibility for managing election, education, and other processes related to program participation. Part D sponsors are encouraged to educate program participants on the options for assessing OOP costs prior to the pharmacy POS (such as utilizing interactive prescription drug cost tools available on the Part D sponsor's website or calling the plan's customer service line).

4. **Are pharmacies required to notify enrollees about the Medicare Prescription Payment Plan if the cost of their prescription is over $600?**

   Part D sponsors are required to have in place a mechanism to notify the pharmacy when a Part D enrollee who has not already opted into the Medicare Prescription Payment Plan incurs OOP costs with respect to a covered Part D drug that make it likely the Part D enrollee may benefit from the program. For the purposes of the pharmacy notification requirement, the determination of whether an enrollee is likely to benefit from participating in the program is based on when they incur OOP costs for a single prescription that equal or exceed the POS threshold

($600 in CY 2025). Part D sponsors must notify pharmacies when a Part D enrollee's OOP costs meet these criteria at the POS and require the pharmacy to inform the Part D enrollee that they may benefit from the program and how to opt in if the Part D enrollee would like to participate in the program.

5. **Will the Explanation of Benefits (EOB) explain the Medicare Prescription Payment Plan amounts?**

   The EOB informs Part D enrollees about their prescription drug costs in relation to the Part D annual deductible, initial coverage limit, and annual OOP threshold to meet the requirement at 42 C.F.R. § 423.128(e) that requires a Part D sponsor provide certain specified information directly to enrollees. CMS issued final program instructions for the Part D EOB for CY 2025 on May 23, 2024, to address the Inflation Reduction Act of 2022 (IRA) changes to the Part D benefit structure redesign and the new Medicare Prescription Payment Plan. The EOB for CY 2025 includes

   information about the Medicare Prescription Payment Plan and explains that enrollees who participate in the Medicare Prescription Payment Plan will receive a separate monthly Medicare Prescription Payment Plan billing statement. The EOB also explains that costs included in the EOB might differ from what a Medicare Prescription Payment Plan participant paid at the point of sale (POS).

   The Medicare Prescription Payment Plan monthly billing statement must include itemized out-of-pocket (OOP) costs by prescription for the month billed, balances carried over from the prior month and missed payments, and other information as outlined in Section 40 of the final part one guidance. CMS encourages plans to include additional information that they feel is pertinent to program participants. Any additional information that plans choose to include on the billing statement must abide by Part D regulations at 42 CFR Part 423 Subpart V, which define standards for Part D required materials, content, and delivery requirements and are outlined in the Medicare Communications and Marketing Guidelines (MCMG).

Others:

1. **Which drugs are subject to the Medicare Prescription Payment Plan? Does it only apply to certain tiers?**

   Part D sponsors may not restrict the application of the Medicare Prescription Payment Plan benefit to specific covered Part D drugs. Once an individual has opted into the program, OOP cost sharing for all covered Part D drugs must be included until the participant reaches the OOP threshold or opts out of the Medicare Prescription Payment Plan.

2. **Are drugs covered through a pharmaceutical manufacturer patient assistance program (PAP) eligible for the Medicare Prescription Payment Plan?**

   No. As stated in section 20 of the final part one guidance, only covered Part D drugs are eligible for the Medicare Prescription Payment Plan. Although Part D enrollees may get help with drug costs through manufacturer PAPs, PAPs operate outside of the Part D benefit, meaning that PAP-covered drugs are ineligible for inclusion in the Medicare Prescription Payment Plan. If a Part D enrollee participating in the Medicare Prescription Payment Plan has other prescriptions for covered Part D drugs (not included in the manufacturer PAP), those prescriptions would be included in the Medicare Prescription Payment Plan. Please refer to example B17 in the final part one guidance (available at https://www.cms.gov/files/document/medicare-prescription-payment-plan-final-part-one-guidance.pdf), which demonstrates how program calculations would work in this scenario.

3. **Will the Medicare Payment Plan be available for the new Postal Service Health Benefits program?**

   All Part D sponsors must provide the option to participate in the Medicare Prescription Payment Plan to all Part D enrollees, including Part D enrollees who receive Part D coverage through an Employer Group Waiver Plan (EGWP).

4. **Does the Medicare Prescription Payment Plan begin on 1/1/2025?**

   Yes. However, Part D sponsors are responsible for providing general educational materials about the program to Part D enrollees and notifying Part D enrollees likely to benefit from the program in CY 2025 beginning in fall 2024.

   Part D enrollees may opt into the Medicare Prescription Payment Plan prior to the beginning of the plan year or in any month during the plan year.