

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850



CENTER FOR MEDICARE

DATE: July 29, 2024

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

FROM: Meena Seshamani, MD, PhD
Director, Center for Medicare

SUBJECT: Annual Release of Part D National Average Monthly Bid Amount and Other Part C & D Bid Information

CMS is announcing today that the Calendar Year (CY) 2025 Part D national average monthly bid amount is \$179.45, the Part D base beneficiary premium is \$36.78, and the *de minimis* amount is \$2. Please see the attached notice for more detailed information concerning the CY 2025 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, the Medicare Advantage (MA) regional PPO benchmarks, the MA employer group waiver plan (EGWP) regional payment rates, and the Part D calendar year EGWP prospective reinsurance amount.

CMS is also announcing a voluntary demonstration program for standalone prescription drug plans (PDPs). The Part D Premium Stabilization Demonstration is designed to test whether additional policy changes stabilize year-over-year changes in premiums for participating standalone PDPs, leading to more predictable options for beneficiaries during the initial implementation of the Inflation Reduction Act of 2022's (IRA's) benefit improvements, creating more gradual enrollment changes, and allowing participating Part D sponsors to accumulate the experience necessary for bidding in future years, consistent with prior demonstrations CMS has conducted to test policies that might address transitional issues associated with the implementation of major changes to the Medicare program. Under the voluntary demonstration, there will be a reduction in the base beneficiary premium of \$15 for all participating PDPs, combined with a year-over-year plan premium increase limit of \$35 and narrowed risk corridors applied to participating individual (i.e., non-employer) PDPs.

Detailed information regarding the Part D Premium Stabilization Demonstration and the *de minimis* amount is attached in a separate memo, which contains instructions and timelines for opting into the demonstration, completing rebate reallocation, and volunteering to waive the *de minimis* amount. Part D sponsors of PDPs will have from Monday, July 29, 2024, until 11:59 PM Pacific Daylight Time (PDT) on Monday, August 5, 2024, to opt into the demonstration for CY 2025. All Part D sponsors will have from Monday, July 29, 2024, until 11:59 PM PDT on Wednesday, August 7, 2024, to complete rebate reallocation. Note that bids may be resubmitted for rebate reallocation multiple times prior to the August 7th deadline. Following the conclusion

of the demonstration election and rebate reallocation windows, Part D sponsors will have from Friday, August 9, 2024, until 11:59 PM PDT on Tuesday, August 13, 2024, to inform CMS of their intent to participate in the voluntary *de minimis* program.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
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OFFICE OF THE ACTUARY

DATE: July 29, 2024

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

FROM: Jennifer Lazio, Director, Parts C & D Actuarial Group

SUBJECT: Annual Release of Part D National Average Monthly Bid Amount and other Part C & D Bid Related Information

Today we are releasing the Calendar Year (CY) 2025 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, the Medicare Advantage (MA) regional PPO benchmarks, the MA employer group waiver plan (EGWP) regional payment rates, and the Part D calendar year EGWP prospective reinsurance amount.

Below we describe the determination of these amounts. The regional low-income premium subsidy amounts and the regional MA benchmarks can be downloaded from the CMS web site at: <https://www.cms.gov/files/document/regional-rates-and-benchmarks-2025.pdf>.

Part D National Average Monthly Bid Amount

CMS has calculated the national average monthly bid amount for CY 2025 in accordance with section 1860D-13(a)(4) of the Social Security Act (“the Act”), codified in 42 CFR § 423.279. For each coverage year, CMS computes the national average monthly bid amount from the applicable Part D plan bid submissions in order to calculate the base beneficiary premium, as provided in 42 CFR § 423.286(c). Because the national average monthly bid amount is calculated based on plans’ standardized bid amounts, it is not impacted by the voluntary Part D Premium Stabilization Demonstration for standalone prescription drug plans (PDPs).

The national average monthly bid amount is a weighted average of the standardized bid amounts for each PDP and MA plan with prescription drug coverage (MA-PD) described in section 1851(a)(2)(A)(i) of the Act. The weights are based on the number of enrollees in each plan. The weight for each plan bid is a percentage calculated with the numerator equal to the number of Part D eligible individuals enrolled in the plan in the reference month (as defined in 42 CFR § 422.258(c)(1)) and the denominator equal to the total number of Part D eligible individuals enrolled in the reference month in all applicable Part D plans. Per section 1860D-13(a)(4)(A) of the Act, the calculation does not include Part D bids submitted by Medicare Medical Savings Account (MSA) plans, MA private fee-for-service plans, specialized MA plans for special needs

individuals, PACE programs under section 1894, any “fallback” prescription drug plans, and plans established through reasonable cost reimbursement contracts under section 1876(h) of the Act (“Cost Plans”). The reference month for the CY 2025 calculation was June 2024.

The national average monthly bid amount for CY 2025 is \$179.45.

Part D Base Beneficiary Premium

Section 1860D-13(a) of the Act, as amended by section 11201 of the Inflation Reduction Act (IRA) of 2022, specifies the methodology for calculating the base beneficiary premium. Specifically, the base beneficiary premium (BBP) for 2024 through 2029 is equal to the lesser of the following calculations:

- A. The prior year’s BBP increased by 6 percent.
- B. The product of the beneficiary premium percentage and the national average monthly bid amount. The beneficiary premium percentage (“applicable percentage”) is a fraction, with a numerator of 25.5 percent and a denominator equal to 100 percent minus a percentage equal to (i) the total reinsurance payments that CMS estimates will be paid for the coverage year, divided by (ii) that amount plus the total payments that CMS estimates will be paid to Part D plans based on the standardized bid amount during the year, taking into account amounts paid by both CMS and plan enrollees.

The result of **calculation A** is \$36.78.

$$2024 \text{ BBP} \times 1.06 \text{ or } \$34.70 \times 1.06 = \$36.78$$

The result of **calculation B** is \$55.98.

Therefore, the Part D BBP for CY 2025 is \$36.78.¹

In accordance with section 1860D-13(a) of the Act, codified in 42 CFR § 423.286, Part D beneficiary premiums are calculated as the BBP adjusted by the following factors: (i) the difference between the plan’s standardized bid amount and the national average monthly bid amount; (ii) adjusted by any supplemental premium; (iii) an increase for any late enrollment penalty; (iv) a decrease for MA-PDs that apply MA A/B rebates to buy down the Part D premium; and (v) elimination or decrease with the application of the low-income premium subsidy.

Part D Regional Low-Income Premium Subsidy Amounts

In accordance with 42 CFR § 423.780, low-income subsidy (LIS) individuals are entitled to a premium subsidy equal to 100 percent of the premium subsidy amount. A Part D plan’s premium

¹ As noted above, the actual Part D premiums paid by individual beneficiaries equal the BBP adjusted by a number of factors. In practice, premiums vary significantly from one Part D plan to another and seldom equal the base beneficiary premium.

subsidy amount is the lesser of the plan's premium for basic coverage or the regional low-income premium subsidy amount (LIPSA).

The regional LIPSA is the greater of the low-income benchmark premium amount for a PDP region or the lowest monthly beneficiary premium for a prescription drug plan that offers basic prescription drug coverage in the PDP region. In accordance with section 1860D-14 of the Act and the final rule "Modification to the Weighting Methodology Used to Calculate the Low-Income Benchmark Amount," which appeared in the Federal Register (73 FR 18176) on April 3, 2008, the low-income benchmark premium amount for a PDP region is a weighted average of the monthly beneficiary premiums for basic prescription drug coverage in the region. The weight for each PDP and MA-PD plan is a percentage calculated with the numerator equal to the number of Part D LIS-eligible individuals enrolled in the plan in the reference month and the denominator equal to the total number of Part D LIS-eligible individuals enrolled in all PDP and MA-PD plans in a Part D region in the reference month.

The Patient Protection and Affordable Care Act of 2010 amended the statute governing the calculation of the LIS benchmark premium amount (see section 3302, as amended by section 1102 of the Health Care and Education Reconciliation Act of 2010). As amended, section 1860D-14(b)(2)(B)(iii) of the Act requires the calculation of the weighted average premium amounts described above using MA-PD basic Part D premiums before the application of Part C rebates each year.

The calculation does not include bids submitted by MA private fee-for-service plans, PACE programs under section 1894, and Cost Plans. The reference month for the CY 2025 calculation was June 2024.

The regional low-income premium subsidy amounts are provided in the file Regional Rates and Benchmarks 2025, which can be accessed on the CMS website through the following link: <https://www.cms.gov/files/document/regional-rates-and-benchmarks-2025.pdf>. The low-income benchmark calculation will not be impacted by the voluntary Part D Premium Stabilization Demonstration for PDPs. The CY 2025 low-income benchmarks are calculated based on pre-demonstration basic Part D premiums; however, the LIPSA paid to participating PDPs will be based on their post-demonstration basic Part D premiums.

MA Regional PPO Benchmarks

Per section 1858(f)(2) of the Act, the standardized PPO benchmark for each MA region is a sum of two components: (i) a statutory component consisting of the weighted average of the county capitation rates across the region for each appropriate level of star rating; and (ii) a competitive, or plan-bid, component consisting of the weighted average of all of the standardized A/B bids for regional MA PPO plans in the region. (Such regional MA plan bids relate to the benefits covered under Parts A and B of Medicare.) The two components are then summed for each region, with the statutory component reflecting the national market share of Traditional Medicare and the regional MA plan-bid component reflecting the market share of all MA organizations in the Medicare population nationally. In other words, the weights used in combining the statutory and competitive components of the benchmark are the same for all regions and are equal to the national enrollment percentages, respectively, for Traditional Medicare and all MA plans. For

CY 2025, the national weights applied to the statutory and plan-bid components are 47.5 percent and 52.5 percent, respectively.

The separate weighted-average statutory component and weighted-average competitive component in each region are determined based on the following weights:

- The weighting for the statutory component is based on all MA eligible individuals in the region—i.e., all Medicare beneficiaries who are either in the traditional, fee-for-service Medicare program or enrolled in an MA plan and who are entitled to benefits under Part A and enrolled in Part B.
- The weighting for the plan-bid component is based on the enrollment in regional MA plans in the region for the reference month of June 2024. (That is, the weight for each plan’s bid is based on the plan’s market share in the region.)

As stated in the *Advance Notice of Methodological Changes for Calendar Year 2025 for Medicare Advantage Capitation Rates, Part C and Part D Payment Policies* (“2025 Advance Notice”) and *Announcement of Calendar Year 2025 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies* (“2025 Rate Announcement”), these benchmarks reflect the average bid component of the regional benchmark excluding EGWPs. The statutory and plan-bid components of the MA regional standardized benchmarks for 16 of the 26 MA regions² are in the file *Regional Rates and Benchmarks 2025*, which can be accessed on the CMS website through the following link: <https://www.cms.gov/files/document/regional-rates-and-benchmarks-2025.pdf>.

MA Regional EGWP Payment Rates

In accordance with the payment methodology finalized in the 2025 Rate Announcement, the 2025 EGWP Regional payment rates are being released concurrently with this 2025 MA Regional benchmark release. For detailed descriptions of the payment policy finalized for 2025, please refer to the 2025 Advance Notice and 2025 Rate Announcement: <https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/announcements-and-documents>.

The payment rates for Regional EGWPs are in the file *Regional Rates and Benchmarks 2025*, which can be accessed on the CMS website through the following link: <https://www.cms.gov/files/zip/2025-regional-ppo-egwp-rates.zip>.

Part D CY EGWP Prospective Reinsurance Amount

In accordance with the payment methodology described in the Final CY 2025 Part D Redesign Program Instructions, the CY 2025 prospective reinsurance payment amount for Part D Calendar Year EGWPs is being released concurrently with this release of the Part D national average monthly bid amount, Part D base beneficiary premium, and related Part D bid information. For a detailed description of the CY 2025 Part D payment policy, please refer to the Final CY 2025

² In the remaining ten MA regions, there are no regional MA plans.

Part D Redesign Program Instructions: <https://www.cms.gov/files/document/final-cy-2025-part-d-redesign-program-instructions.pdf>.

For CY 2025, CMS is calculating the prospective reinsurance payments to all Part D Calendar Year EGWP sponsors using the weighted average of the per member-per month (PMPM) prospective reinsurance amounts submitted by Part D sponsors for enhanced alternative (EA) plans as part of the Part D bid submissions for the payment year in question. For CY 2025, this amount is \$30.41.

/s/

Jennifer Lazio, F.S.A., M.A.A.A.
Director, Parts C & D Actuarial Group
Office of the Actuary



MEDICARE PLAN PAYMENT GROUP

DATE: July 29, 2024

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

FROM: Jennifer R. Shapiro, Director, Medicare Plan Payment Group

SUBJECT: Voluntary Part D Premium Stabilization Demonstration for Standalone Prescription Drug Plans, Release of the *De Minimis* Amount, and Operational Guidance

In this memo, CMS is releasing information regarding the voluntary Part D Premium Stabilization Demonstration for Calendar Year (CY) 2025 for standalone prescription drug plans (PDPs) and the CY 2025 *de minimis* amount. In addition, this memo provides instructions and timelines for opting into the voluntary demonstration, completing rebate reallocation, and volunteering to waive the *de minimis* amount. Part D sponsors of PDPs will have from Monday, July 29, 2024, until 11:59 PM Pacific Daylight Time (PDT) on Monday, August 5, 2024, to opt into the demonstration for CY 2025. All Part D sponsors will have from Monday, July 29, 2024, until 11:59 PM PDT on Wednesday, August 7, 2024, to complete rebate reallocation. Following the conclusion of the demonstration election and rebate reallocation windows, Part D sponsors will have from Friday, August 9, 2024, until 11:59 PM PDT on Tuesday, August 13, 2024, to inform CMS of their intent to participate in the *de minimis* program.

Voluntary Part D Premium Stabilization Demonstration

Section 402(a)(1)(A) of the Social Security Amendments of 1967, as amended and expressly made applicable to Part D by section 1860D-42(b) of the Social Security Act (“the Act”), authorizes the Secretary to carry out demonstration projects to determine whether “changes in methods of payment or reimbursement” under Medicare “would have the effect of increasing the efficiency and economy of health services” covered under Medicare through the “creation of additional incentives to these ends.” Pursuant to such authority, CMS is conducting a voluntary demonstration among PDPs to test whether additional policy changes stabilize year-over-year changes in premiums for participating standalone PDPs, leading to more predictable options for beneficiaries during the initial implementation of the IRA benefit improvements, creating more gradual enrollment changes, and allowing participating Part D sponsors to accumulate the experience necessary for bidding in future years.

The demonstration consists of three elements. First, the base beneficiary premium (BBP) for participating standalone PDPs will be reduced by \$15. The BBP reduction will be less than this

amount if the full reduction would cause the plan-specific total Part D premium to be less than \$0. In that case, the BBP reduction for that plan would be the difference between the plan-specific total Part D premium and \$0.

Second, a year-over-year increase limit of \$35 will be applied to individual (i.e., non-employer) plan premiums, meaning any plan-specific total Part D premium would not be permitted to increase more than \$35 compared to that plan's premium in CY 2024. The year-over-year limit will be applied after the reduction in the BBP and applies to the plan's total Part D premium (that is, the sum of the Part D basic and Part D supplemental premiums). For CY 2025 PDPs that are comprised of crosswalked enrollees from multiple CY 2024 PDPs, the increase limit will be applied to the change between the lowest CY 2024 premium among the PDPs whose enrollees are in the CY 2025 PDP – whether they were already enrolled in that PDP in CY 2024 or are crosswalked into it for CY 2025 – and the CY 2025 premium for the PDP.

The third element of the demonstration will be a change to the risk corridors regarding shared losses. The upper thresholds (applicable in instances where a PDP experiences losses) for the CY 2025 risk corridors will be set at 2.5 percent and 5 percent above the target amount rather than the current thresholds of 5 percent and 10 percent above the target amount. In addition, for CY 2025, CMS will increase the share of losses assumed by the government once the demonstration 5 percent threshold is reached. The government's share of any losses beyond this threshold will be increased to 90 percent for CY 2025. Allowable costs for purposes of determining risk corridor payments will be calculated as under current law and guidance.

Eligibility:

The demonstration is voluntary and nationwide (all regions). This demonstration is for standalone PDPs only and does not alter any payment-related parameters for Medicare Advantage plans with prescription drug coverage (MA-PDs) that are established in statute, regulation, or guidance. All standalone PDPs, including Employer Group Waiver Plans (EGWPs), are eligible to participate in the demonstration. Because EGWPs do not submit bids and are not subject to risk corridor reconciliation, they are only eligible for the first element of the demonstration and not the second or third element. Additionally, participating EGWPs may be required to submit additional data to the Office of the Assistant Secretary for Planning and Evaluation (ASPE) to aid in understanding and evaluating the impacts of the demonstration on the stabilization of EGWP beneficiary premiums.

Part D sponsors must include all plans under each of their standalone PDP contracts in the demonstration if they choose to participate. Part D sponsors with multiple standalone PDP contracts must include all contracts in the demonstration if they choose to participate.

New plans offered by new or existing Part D sponsors may join the demonstration in any given year. In the first year of participation, the new plan would only be eligible for risk corridor modifications applicable to that year as well as any flat amount reduction in the plan-specific base premium (i.e., they would not be eligible for the reduction based on an increase from the previous year given their status as a new plan).

Parameters:

The demonstration is designed for one year (i.e., CY 2025) and at least two subsequent demonstration years with parameters to be adjusted to reflect market conditions in those years. The first year of the demonstration will be conducted under the parameters described in this

memorandum, affecting payments made to participating Part D sponsors for costs incurred from January 1, 2025 through December 31, 2025. For each subsequent year, CMS will assess each element of the demonstration separately to determine appropriate parameters for such subsequent plan year, considering the success of each element in achieving the goals of the demonstration in prior years and whether market conditions suggest that Part D sponsors have adequate data on the Part D market to have stable actuarial information on which to base their PDP bids in the absence of additional premium stabilization. The value of one or more of the parameters may be reduced for a subsequent demonstration year to equal its value absent the demonstration. We do not expect to increase the three demonstration parameters beyond the levels in the first year of the demonstration. Sponsors that choose to participate in CY 2025 will have the opportunity to choose whether to participate in the demonstration in subsequent demonstration years. However, in order to be eligible to participate in each subsequent demonstration year, a Part D sponsor would have to have participated in the immediately preceding demonstration year. Eligible Part D sponsors that opt into the demonstration will be required to notify CMS of their intent to participate in advance of the voluntary *de minimis* waiver process.

De Minimis Amount

Under the Affordable Care Act (ACA) § 3303(a), a PDP or MA-PD plan may volunteer to waive the portion of beneficiary's monthly adjusted basic Part D premium that is a *de minimis* amount above the low-income subsidy (LIS) benchmark for a subsidy eligible individual. The law prohibits CMS from reassigning LIS members from plans who volunteered to waive the *de minimis* amount.

The *de minimis* amount for CY 2025 will be \$2.

Operational Guidance and Deadlines

Voluntary Part D Premium Stabilization Demonstration – Action by 11:59 PM PDT on Monday, August 5, 2024

Part D sponsors of eligible PDPs must actively inform CMS of their intent to participate in the Part D Premium Stabilization Demonstration for CY 2025 via HPMS. On Monday, July 29, 2024, CMS will release premiums for all eligible standalone PDPs as they would be under the demonstration and as they would be if the PDP elects not to participate in the demonstration. Part D sponsors can inform CMS of their intent to participate for CY 2025 starting Monday, July 29, 2024, until 11:59 PM PDT on Monday, August 5, 2024.

The mechanism to opt into the PDP demonstration can be found at the following path in HPMS:

HPMS Home > Plan Bids > Bid Submission > CY 2025 > Review Plan Data > PDP Demo Election

The 'PDP Demonstration Election' link will be available at the left navigation bar. There is no default value selected. Eligible plan sponsors must select a radio button of Yes or No to indicate if they want to volunteer to participate or not.

As noted previously, Part D sponsors must include all plans under each of their standalone PDP contracts in the demonstration if they choose to participate. Part D sponsors with multiple standalone PDP contracts must include all contracts in the demonstration if they choose to participate. Therefore, Part D sponsors must select the same response for all contracts on the PDP Demonstration Election page.

For Part D sponsors of PDPs that opt into the demonstration, final post-demonstration premiums will be released on Thursday, August 8, 2024.

Please send any questions about the demonstration to PartDPaymentPolicy@cms.hhs.gov.

Rebate Reallocation - Action by 11:59 PM PDT on Wednesday, August 7, 2024

MA organizations that offer MA-PDs will have from Monday, July 29, 2024, until 11:59 PM PDT on Wednesday, August 7, 2024, to complete rebate reallocation. Plan-specific information, such as plan standardized bid amounts, plan-specific premiums, and MA rebate dollars used, can be found at the following path in HPMS:

HPMS Home > Plan Bids > Bid Submission > CY 2025 > Review Plan Data > Review Plan Data

After reviewing the plan-specific information in HPMS, some bids may need to be resubmitted to adjust the MA rebate dollars in the Bid Pricing Tool (BPT). Local MA-only plans (which do not offer Part D) and PDPs (which cannot use MA rebates) cannot resubmit their bids during the rebate reallocation period. In the instances when an MA-PD allocates all of its MA rebates to buy down the Part D basic premium and the plan's intended target for its Part D basic premium is the low-income premium subsidy amount, the MA-PD may volunteer to use the *de minimis* premium policy.

Guidance on rebate reallocation and premium rounding can be found in Appendix E of the Instructions for Completing the MA BPT for Contract Year 2025. Changes to the BPT must be in accordance with the guidance contained in Appendix E.

If resubmitting, the Part D bid pricing tools must reflect the final benchmarks released earlier in this announcement. No pricing changes will be accepted to the Part D bid forms.

As a reminder, CMS expects MA organizations to submit CY 2025 plan bids that satisfy our requirements, including, but not limited to, service category cost sharing, per member per month actuarial equivalence, Total Beneficiary Cost (TBC), and, for Part D benefit packages in MA-PDs, meaningful difference. CMS will not approve plan bids that do not satisfy our requirements.

A "final" actuarial certification must be submitted by all plans. A separate announcement will be released regarding the submission of final actuarial certifications.

If you have questions about this information, please submit them to actuarial-bids@cms.hhs.gov.

If you have technical questions about your resubmissions, please contact the HPMS Help Desk at 1-800-220-2028 or hpms@cms.hhs.gov.

Volunteering to Waive the De Minimis Amount - Action by 11:59 PM PDT on Tuesday, August 13, 2024

Part D sponsors of eligible plans must actively inform CMS of their intent to participate in the *de minimis* program. Sponsors can inform CMS of their intent to participate starting Friday, August 9, 2024, until 11:59 PM PDT on Tuesday, August 13, 2024.

The mechanism to volunteer for *de minimis* can be found at the following path in HPMS:

HPMS Home > Plan Bids > Bid Submission > CY 2025 > Review Plan Data > Voluntary De Minimis

The ‘Voluntary de minimis’ link will be available at the left navigation bar. The default value will be unchecked (i.e., “No”), and eligible plans must select the checkbox to indicate that they want to volunteer to participate.

Please send any questions about *de minimis* to PartDPaymentPolicy@cms.hhs.gov.