

DEPARTMENT OF HEALTH & HUMAN  
SERVICES  
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**DATE:** August 19, 2024

**TO:** Contract Year (CY) 2024 Medicare-Medicaid Plans (MMPs)

**FROM:** Jennifer R. Shapiro, Center for Medicare, Medicare Plan Payment Group Director  
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**SUBJECT:** CY 2024 Prescription Drug Event (PDE) Reporting Guidance for MMPs

The Centers for Medicare & Medicaid Services (CMS) has received technical questions from Medicare-Medicaid Plans (MMPs) operating in the capitated financial alignment model demonstrations under the Financial Alignment Initiative about the treatment of Part D claims that straddle from the Coverage Gap Phase to the Catastrophic Phase of the Part D benefit. This memorandum provides guidance and specific PDE examples related to these technical questions. The guidance in this memorandum is specific to PDEs with Dates of Service (DOS) in CY 2024 that are submitted by MMPs that reduce the cost-sharing for Low-Income Subsidy (LIS) category 1 and 2 beneficiaries to \$0.00.

MMPs have brought to our attention that these enrollees cannot transition from the Coverage Gap Phase into the Catastrophic Phase. CMS has determined this to be a result of the Inflation Reduction Act (IRA) changes that eliminated beneficiary cost sharing in the Catastrophic Phase in 2024, subsequently resulting in the elimination of low-income cost sharing subsidy (LICS) in the Catastrophic Phase. MMPs may reduce cost-sharing for an LIS beneficiary to \$0.00 after the total LICS is calculated on a claim and this cost-sharing reduction is reported as Non Covered Plan Paid Amount (NPP) on the PDE. Because NPP is not True Out-of-Pocket Cost (TrOOP) eligible and is applied after the total LICS on a claim is calculated, beneficiaries that would have accumulated TrOOP exceeding the annual out-of-pocket (OOP) threshold in CY 2023 on a straddle claim are unable to accumulate sufficient TrOOP to satisfy the OOP threshold in CY 2024 for the same straddle claim. Notably, this issue only occurs in CY 2024 because, starting with CY 2025, NPP will count towards TrOOP.

For CY 2024 only, so that the application of the MMP cost-sharing reduction does not prevent beneficiaries from entering the Catastrophic Phase, we interpret the existing Part D waiver under the capitated financial alignment model as authorizing CMS to modify how the LICS amount is

determined on Coverage Gap to Catastrophic straddle claims. We believe this will result in MMPs' actual liability for the cost-sharing reductions provided to LIS enrollees, aligning more closely with the methodology for determining payments and enrollee liability under MMPs. Therefore, for CY 2024 only, CMS is applying a reporting adjustment for MMPs (hereinafter referred to as the "MMP reporting adjustment"), which adjusts the drug cost in the Coverage Gap Phase so that the calculation of LICs will result in an amount that is sufficient to satisfy the annual OOP threshold. This MMP reporting adjustment permits enrollees to transition from the Coverage Gap Phase into the Catastrophic Phase.

With this MMP reporting adjustment, MMPs should not have beneficiaries who remain in the Coverage Gap Phase indefinitely as a result of applying the MMP cost-sharing reduction. In addition, claims should not continually be reported as Coverage Gap Phase to Catastrophic Phase straddle claims upon the application of the MMP cost-sharing reduction after all other PDE fields have been calculated. In this memorandum, CMS is providing PDE reporting examples with specific instructions for determining whether a claim is eligible for this MMP reporting adjustment and the reporting requirements for relevant Part D claims submitted by MMPs.

MMPs submitting PDEs with DOS in 2024 should take careful note of the additional step in the below examples for determining drug costs that fall in the Coverage Gap Phase. This additional step accounts for the 2024 IRA changes and the MMP cost-sharing reduction not counting toward TrOOP in CY 2024.

CMS will conduct additional monitoring and oversight as needed to ensure that PDEs submitted by MMPs are appropriately adjusted in accordance with the following examples.

The following examples use CY 2024 Part D benefit parameters.

Please direct questions regarding this memo to [PDE-Operations@cms.hhs.gov](mailto:PDE-Operations@cms.hhs.gov).

### **Example 1: Medicare-Medicaid Plan, Coverage Gap to Catastrophic Phase for an LIS Beneficiary with an MMP Reporting Adjustment Applied**

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This example demonstrates how to report a PDE for a \$100.00 covered Part D brand drug (\$100.00 ingredient cost/\$0.00 dispensing fee) that straddles the Coverage Gap Phase and the Catastrophic Phase for an LIS category 1 beneficiary enrolled in an MMP. When the claim adjudication begins, the Total Gross Covered Drug Cost (TGCD) Accumulator is \$12,750.00, and the TrOOP Accumulator is \$7,980.00. The MMP reduces the beneficiary cost-sharing to \$0.00 on all Part D claims for LIS category 1 and 2 beneficiaries.

In the reporting steps below, the first step determines whether an MMP reporting adjustment is applied and describes how to calculate it. Only after this calculation is made is the non-LIS beneficiary cost sharing amount determined, and subsequently all other fields calculated.

#### **Step 1 – Determine the MMP reporting adjustment and, subsequently, costs that fall in the Coverage Gap Phase:**

Because the MMP reduces the beneficiary cost-sharing to \$0.00 on all Part D claims for LIS category 1 and 2 beneficiaries, this PDE is potentially eligible for an MMP reporting adjustment. To determine the MMP reporting adjustment to Coverage Gap Phase drug costs, the remaining TrOOP amount is compared to the total drug cost minus the LIS copayment. In this example, the remaining TrOOP amount is \$20.00 (\$8,000.00 - \$7,980.00) and the total drug cost minus the LIS copayment is \$88.80 (\$100.00 - \$11.20). When the remaining TrOOP amount is less than the total drug cost minus the LIS copayment, an MMP reporting adjustment is made by adding the LIS copayment to the remaining TrOOP amount, and this amount is determined to be the portion of the total drug cost that falls in the Coverage Gap Phase. This MMP reporting adjustment modifies the drug cost in the Coverage Gap Phase so that the calculation of LICS will result in an amount that is sufficient to satisfy the annual OOP threshold. In this example, the claim has satisfied the requirements for the MMP reporting adjustment, so that the total drug cost in the Coverage Gap Phase is \$31.20 (\$20.00 + \$11.20).

**Step 2 – Calculate the non-LIS beneficiary cost sharing:**

In the Coverage Gap Phase, for purposes of determining the LICS amount only, the non-LIS cost-sharing for covered Part D drugs is determined as 100% of Gross Covered Drug Cost in the Coverage Gap Phase, without taking into account any plan limits on beneficiary cost-sharing (including cost-sharing limits required by the IRA), Coverage Gap discount, or generic coinsurance. Therefore, in this example, the non-LIS cost-sharing is \$31.20 ( $\$31.20 * 1.00 = \$31.20$ ) in the Coverage Gap Phase and \$0.00 in the Catastrophic Phase, where there is a 0% coinsurance, equaling a total of \$31.20 from across the two phases.

**Step 3 – Determine the LIS beneficiary cost sharing:**

According to 2024 Part D benefit parameters, a category 1 LIS beneficiary pays \$11.20 for a brand drug in the Coverage Gap Phase and \$0.00 in the Catastrophic Phase.

**Step 4 – Compare non-LIS and LIS beneficiary cost sharing:**

The non-LIS beneficiary cost sharing amount, as calculated in Step 2, is \$31.20. The LIS beneficiary cost sharing amount, as determined in Step 3, is \$11.20. According to the “lesser of” test, the LIS beneficiary is responsible for whichever amount is less. In this example, the LIS beneficiary cost sharing amount is less than the non-LIS beneficiary cost sharing amount. Therefore, the plan will use the LIS beneficiary cost sharing amount of \$11.20 to calculate the LICS amount in Step 5.

**Step 5 – Apply LICS formula:**

The LICS amount equals the difference between the non-LIS and LIS beneficiary cost sharing amounts. As determined in Step 4, the LIS beneficiary cost sharing used in the LICS formula is equal to the LIS beneficiary cost sharing that was calculated in Step 3 because of the “lesser of” test. The LICS amount is therefore \$20.00 ( $\$31.20 - \$11.20$ ).

**Step 6 – Calculate Covered D Plan Paid (CPP) Amount:**

CPP is 0% of drug costs in the Coverage Gap Phase ( $\$31.20 * 0.00 = \$0.00$ ) plus 100% of drug costs falling in the Catastrophic Phase ( $\$68.80 * 1.00 = \$68.80$ ), which equals \$68.80.

**Step 7 – Calculate NPP & Patient Pay:**

Patient Pay is determined by applying the MMP reduction (i.e., \$0.00 beneficiary cost sharing). In this example, NPP is the amount paid by the plan in lieu of the beneficiary cost sharing as determined in Step 4. NPP is \$11.20 ( $\$11.20 - \$0.00$ ).

The table below illustrates how the plan would populate the PDE record.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$100.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$31.20
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$68.80
Patient Pay Amount	\$0.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$20.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$00.0
Covered D Plan Paid Amount (CPP)	\$68.80
Non Covered Plan Paid Amount (NPP)	\$11.20
Reported Gap Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$12,750.00
True Out-of-Pocket Accumulator	\$7,980.00
Beginning Benefit Phase	G
Ending Benefit Phase	C

**Example 2: Medicare-Medicaid Plan, Coverage Gap Claim for an LIS Beneficiary where the MMP Reporting Adjustment is not Applied**

This example demonstrates how to report a PDE for a \$100.00 covered Part D brand drug (\$100.00 ingredient cost/\$0.00 dispensing fee) in the Coverage Gap for an LIS category 1 beneficiary enrolled in an MMP. When the claim adjudication begins, the TG CDC Accumulator is \$12,750.00, and the TrOOP Accumulator is \$7,910.00. The MMP reduces the beneficiary cost-sharing to \$0.00 on all Part D claims for LIS category 1 and 2 beneficiaries.

In the reporting steps below, the first step determines whether an MMP reporting adjustment is applied and describes how to calculate it. Only after this calculation is made is the non-LIS beneficiary cost sharing amount determined, and subsequently all other fields calculated.

**Step 1 – Determine the MMP reporting adjustment and, subsequently, costs that fall in the Coverage Gap Phase:**

Because the MMP reduces the cost-sharing to \$0.00 on all Part D claims for LIS category 1 and 2 beneficiaries, this PDE is potentially eligible for an MMP reporting adjustment. To determine the MMP reporting adjustment to Coverage Gap Phase drug costs, the remaining TrOOP amount is compared to the total drug cost minus the LIS copayment. In this example, the remaining TrOOP amount is \$90.00 (\$8,000.00 - \$7,910.00) and the total drug cost minus the LIS copayment is \$88.80 (\$100.00 - \$11.20). When the remaining TrOOP amount is less than the total drug cost minus the LIS copayment, an MMP reporting adjustment is made by adding the LIS copayment to the remaining TrOOP amount, and this amount is determined to be the total drug cost that falls in the Coverage Gap. This MMP reporting adjustment modifies the drug cost in the Coverage Gap Phase so that the calculation of LICS will result in an amount that is sufficient to satisfy the annual OOP threshold. In this example, the remaining TrOOP amount is not less than the total drug cost minus the LIS copayment. Therefore, the total drug cost falls in the Coverage Gap Phase, meaning this PDE does not straddle the Coverage Gap and Catastrophic phases. Thus, there is no MMP reporting adjustment, and the drug cost in the Coverage Gap Phase remains \$100.00.

**Step 2 – Calculate the non-LIS beneficiary cost sharing:**

In the Coverage Gap Phase, for purposes of determining the LICS amount only, the non-LIS cost-sharing for covered Part D drugs is determined as 100% of Gross Covered Drug Cost in the Coverage Gap Phase, without taking into account any plan limits on beneficiary cost-sharing (including cost-sharing limits required by the IRA), Coverage Gap discount, or generic coinsurance. Therefore, in this example, the non-LIS cost-sharing is \$100.00 ( $\$100.00 * 1.00 = \$100.00$ ) in the Coverage Gap Phase.

**Step 3 – Determine the LIS beneficiary cost sharing:**

According to 2024 Part D benefit parameters, a category 1 LIS beneficiary pays \$11.20 for a brand drug in the Coverage Gap Phase.

**Step 4 – Compare non-LIS and LIS beneficiary cost sharing:**

The non-LIS beneficiary cost sharing amount, as calculated in Step 2, is \$100.00. The LIS beneficiary cost sharing amount, as determined in Step 3, is \$11.20. According to the “lesser of” test, the LIS beneficiary is responsible for whichever amount is less. In this example, the LIS beneficiary cost sharing amount is less than the non-LIS beneficiary cost sharing amount. Therefore, the plan will use the LIS beneficiary cost sharing amount of \$11.20 to calculate the LICS amount in Step 5.

**Step 5 – Apply LICS formula:**

The LICS amount equals the difference between the non-LIS and LIS beneficiary cost sharing amounts. As determined in Step 4, the LIS beneficiary cost sharing used in the LICS formula is equal to the LIS beneficiary cost sharing that was calculated in Step 3 because of the “lesser of” test. The LICS amount is therefore \$88.80 ( $\$100.00 - \$11.20$ ).

**Step 6 – Calculate CPP Amount:**

CPP is 0% of drug costs in the Coverage Gap Phase (\$100.00 \* 0.00 = \$0.00).

**Step 7 – Calculate NPP & Patient Pay:**

Patient Pay is determined by applying the MMP reduction (i.e., \$0.00 beneficiary cost sharing). In this example, NPP is the amount paid by the plan in lieu of the beneficiary cost sharing as determined in Step 4. NPP is \$11.20 (\$11.20 - \$0.00).

The table below illustrates how the plan would populate the PDE record.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$100.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$100.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$0.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$88.80
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$0.00
Non Covered Plan Paid Amount (NPP)	\$11.20
Reported Gap Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$12,750.00
True Out-of-Pocket Accumulator	\$7,910.00
Beginning Benefit Phase	G
Ending Benefit Phase	G

**Example 3: Medicare-Medicaid Plan, Coverage Gap Claim for an LIS Beneficiary where the MMP Reporting Adjustment is not Applied and the LIS Copay exceeds the Drug Cost**

This example demonstrates how to report a PDE for a \$5.00 covered Part D brand drug (\$5.00 ingredient cost/\$0.00 dispensing fee) in the Coverage Gap Phase for an LIS category 1 beneficiary enrolled in an MMP. When the claim adjudication begins, the TG CDC Accumulator is \$12,750.00, and the TrOOP Accumulator is \$7,996.00. The MMP reduces the beneficiary cost-sharing to \$0.00 on all Part D claims for LIS category 1 and 2 beneficiaries.

In the reporting steps below, the first step determines whether an MMP reporting adjustment is applied and describes how to calculate it. Only after this calculation is made is the non-LIS beneficiary cost sharing amount determined, and subsequently all other fields calculated.

**Step 1 – Determine the MMP reporting adjustment and, subsequently, costs that fall in the Coverage Gap Phase:**

Because the MMP reduces the cost-sharing to \$0.00 on all Part D claims for LIS category 1 and 2 beneficiaries, this PDE is potentially eligible for an MMP reporting adjustment. To determine the MMP reporting adjustment to Coverage Gap Phase drug costs, the remaining TrOOP amount is compared to the total drug cost minus the LIS copayment. In this example, the remaining TrOOP amount is \$4.00 (\$8,000.00 - \$7,996.00) and the total drug cost minus the LIS copayment is -\$6.20 (\$5.00 - \$11.20). When the remaining TrOOP amount is less than the total drug cost minus the LIS copayment, an MMP reporting adjustment is made by adding the LIS copayment to the remaining TrOOP amount, and this amount is determined to be the total drug cost that falls in the Coverage Gap. This MMP reporting adjustment modifies the drug cost in the Coverage Gap Phase so that the calculation of LICS will result in an amount that is sufficient to satisfy the annual OOP threshold. In this example, the remaining TrOOP amount is not less than the total drug cost minus the LIS copayment. Therefore, the total drug cost falls in the Coverage Gap Phase, meaning this PDE does not straddle the Coverage Gap and Catastrophic phases. Thus, there is no MMP reporting adjustment, and the drug cost in the Coverage Gap Phase remains \$5.00.

**Step 2 – Calculate the non-LIS beneficiary cost sharing:**

In the Coverage Gap Phase, for purposes of determining the LICS amount only, the non-LIS cost-sharing for covered Part D drugs is determined as 100% of Gross Covered Drug Cost in the Coverage Gap Phase, without taking into account any plan limits on beneficiary cost-sharing (including cost-sharing limits required by the IRA), Coverage Gap discount, or generic coinsurance. Therefore, in this example, the non-LIS cost-sharing is \$5.00 ( $\$5.00 * 1.00 = \$5.00$ ) in the Coverage Gap Phase.

**Step 3 – Determine the LIS beneficiary cost sharing:**

According to 2024 Part D benefit parameters, a category 1 LIS beneficiary pays \$11.20 for a brand drug in the Coverage Gap Phase, but because this amount exceeds the total drug cost, the cost sharing for an LIS beneficiary would be equal to the total drug cost, which is \$5.00.

**Step 4 – Compare non-LIS and LIS beneficiary cost sharing:**

The non-LIS beneficiary cost sharing amount, as calculated in Step 2, is \$5.00. The LIS beneficiary cost sharing amount, as determined in Step 3, is \$11.20. According to the “lesser of” test, the LIS beneficiary is responsible for whichever amount is less. In this example, the LIS beneficiary cost sharing amount is equal to the non-LIS beneficiary cost sharing amount, so the plan will use the cost sharing amount of \$5.00 to calculate the LICS amount in Step 5.

**Step 5 – Apply LICS formula:**

The LICS amount equals the difference between the non-LIS and LIS beneficiary cost sharing amounts. The LICS amount is \$0.00 (\$5.00 - \$5.00).

**Step 6 – Calculate CPP Amount:**

CPP is 0% of drug costs in the Coverage Gap Phase ( $\$5.00 * 0.00 = \$0.00$ ).

**Step 7 – Calculate NPP & Patient Pay:**

Patient Pay is determined by applying the MMP reduction (i.e., \$0.00 beneficiary cost sharing). In this example, NPP is the amount paid by the plan in lieu of the beneficiary cost sharing as determined in Step 4. NPP is \$5.00 (\$5.00 - \$0.00).

The table below illustrates how the plan would populate the PDE record.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$5.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$5.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$0.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$0.00
Non Covered Plan Paid Amount (NPP)	\$5.00
Reported Gap Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$12,750.00
True Out-of-Pocket Accumulator	\$7,996.00
Beginning Benefit Phase	G
Ending Benefit Phase	G