



CENTER FOR MEDICARE AND MEDICAID INNOVATION

DATE: May 20, 2024

TO: Current/Prospective Medicare Advantage Organization (MAO) Participants of the Medicare Advantage (MA) Value-Based Insurance Design (VBID) Model

FROM: Laura T. McWright, Deputy Director, Seamless Care Models Group, Center for Medicare and Medicaid Innovation

SUBJECT: **CORRECTION** - VBID Model Prescription Drug Event (PDE) Reporting Guidance for Contract Year (CY) 2025

This memorandum is providing the following corrections:

- Example #1: The value of the TrOOP accumulation change after the claim is processed.
- Example #2: The value of the TrOOP Accumulator and the TGCDC Accumulator in the PDE record table.
- Example #3: The value of the TrOOP Accumulator and the TGCDC Accumulator in the PDE record table.
- Example #4: The value of the Patient Pay Amount and the LICS Amount in the PDE record table.

The Centers for Medicare & Medicaid Services (CMS) is providing PDE reporting guidance to MAOs participating in the VBID Model for CY 2025, consistent with the provisions of the Inflation Reduction Act of 2022 (IRA) (P.L. 117-169), that are effective January 1, 2025 in the Part D program. Specifically, this guidance provides PDE examples for CY 2025 and should not be used for prior benefit years. For prior benefit years, MAOs participating in the VBID Model should refer to previous guidance and examples released by CMS.

As noted in the April 15, 2024 memorandum titled, “Prescription Drug Event Record Reporting Instructions for the Implementation of the Inflation Reduction Act for Contract Year 2025,” certain costs that did not meet the definition of incurred costs that count toward True Out-of-Pocket costs (TrOOP) prior to CY 2025 will be incorporated into TrOOP calculations for CY 2025. VBID cost-sharing reductions will be TrOOP-eligible in CY 2025 and must be reported in the Other TrOOP field instead of the Patient Liability Reduction due to Other Payer Amount (PLRO) field, which will continue to not count toward TrOOP, on the PDE.

In order to appropriately process VBID-eligible PDEs, CMS requires VBID-eligible PDEs with a date of service (DOS) on or after January 1, 2023 to be submitted with a value of “01” in the Part D Model Indicator field.¹

The following examples use CY 2025 Part D benefit parameters.

Example 1: Enhanced Alternative (EA) Plan with a \$0.00 Deductible and a \$5.00 VBID Model Benefit Copay (Applicable Drug)

This example demonstrates how to report a PDE when a beneficiary in a VBID Model participating EA plan purchases a \$200.00 covered Part D applicable VBID-eligible drug that falls entirely within the plan-defined Initial Coverage Phase (ICP) and does not accumulate TrOOP exceeding the Defined Standard (DS) deductible amount. When the claim adjudication begins, the Total Gross Covered Drug Cost (TGCDC) Accumulator is \$0.00, and the TrOOP Accumulator is \$0.00. This EA plan does not have a deductible and has a \$30.00 copay in the ICP for this drug. The VBID Model benefit reduces a Targeted Enrollee’s cost-sharing to a \$5.00 copay for this drug. The plan reports the benefit phase indicators in alignment with the plan-defined phases; the ICP is the beginning and ending benefit phase. The remaining TrOOP amount required for the beneficiary to meet the definition of an applicable beneficiary and be eligible for the Discount Program is calculated by subtracting the TrOOP Accumulator from the DS deductible amount and is \$590.00 (\$590.00 - \$0.00).

The Delta TrOOP² on this claim is the greater of beneficiary liability under the DS benefit or beneficiary liability under the plan’s benefit design.³ Under the plan’s benefit design, the beneficiary pays a \$30.00 copay in the plan’s ICP. Under the DS benefit, the beneficiary pays 100% of the drug cost until the DS deductible is met ($\$200.00 * 1.00$), which equals \$200.00. Therefore, Delta TrOOP on this PDE is equal to \$200.00, which does not exceed the \$590.00 of remaining TrOOP required for the beneficiary to be eligible for the Discount Program. Thus, a manufacturer discount is not calculated for this claim. The beneficiary pays the VBID Model benefit copay of \$5.00. The VBID cost-sharing reduction is reported in the Other TrOOP field and is calculated by subtracting the VBID Model benefit beneficiary cost-sharing amount from the beneficiary cost-sharing under the plan’s benefit design and is equal to \$25.00 ($\$30.00 - \5.00). CPP is mapped to the DS benefit and is equal to \$0.00 because there is no plan liability in the DS Deductible Phase. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, Other TrOOP and CPP ($\$200.00 - \$5.00 - \$25.00 - \0.00), which equals \$170.00. The plan populates the Part D Model Indicator with “01”.

¹ See HPMS memorandum, Updates to the Drug Data Processing System (DDPS), October 13, 2022 (available at <https://www.cms.gov/httpseditcmsgovresearch-statistics-data-and-systemscomputer-data-and-systemshpms-hpms-memos-archive/hpms-memos-wk-2-october-10-14>).

² Delta TrOOP is defined as total TrOOP-eligible costs that are accrued on the individual PDE being reported, excluding the TrOOP Accumulator value, and represents the change in TrOOP from the preceding PDE.

³ It is not necessary to use the VBID Model Benefit to calculate Delta TrOOP because the VBID Model Benefit is TrOOP-eligible and is the difference between the beneficiary cost-sharing amount under the EA plan’s benefit design and the beneficiary cost-sharing amount under the VBID Model benefit.

After the claim is processed, the TGCDC Accumulator increases by \$200.00, and the TrOOP Accumulator increases by \$200.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Part D Model Indicator	01
Ingredient Cost Paid	\$200.00
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)	\$200.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$5.00
Other TrOOP Amount	\$25.00
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)	\$170.00
Reported Manufacturer Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$0.00
True Out-of-Pocket Accumulator	\$0.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

Example 2: DS Plan in the ICP for a Low Income Subsidy (LIS) Beneficiary with a \$0.00 VBID Model Benefit (Applicable Drug)

This example demonstrates how to report a PDE for an LIS category 2 beneficiary in a VBID Model participating DS plan that purchases a \$300.00 covered Part D applicable VBID-eligible drug. When the claim adjudication begins, the TGCDC Accumulator is \$850.00, and the TrOOP Accumulator is \$655.00. The plan's VBID Model benefit buys down the LIS copay on all Part D claims for LIS category 1 and 2 beneficiaries. The beneficiary is in the ICP of the benefit (TrOOP Accumulator \geq \$590.00 and TrOOP Accumulator + Delta TrOOP $<$ \$2,000.00); the ICP is the beginning and ending benefit phase.

In the ICP, the manufacturer discount is 10% of the total drug cost ($\$300.00 * 0.10 = \30.00). To determine the LICS amount,⁴ the non-LIS beneficiary cost-sharing ($\$300.00 * 0.25 = \75.00) is compared to the LIS category 2 statutory cost-sharing amount (\$4.80). Because the LIS statutory cost-sharing amount is less than the non-LIS beneficiary cost-sharing amount, the LIS statutory cost-sharing amount of \$4.80 is used in the LICS formula as the LIS beneficiary cost-sharing amount. LICS is calculated as the difference between the non-LIS and LIS beneficiary cost-

⁴ As stated in the [VBID PDE Reporting Guidance for CY 2023](#), for VBID-eligible PDEs, the non-LIS beneficiary cost-sharing amount and the LIS beneficiary cost-sharing amount are determined prior to applying the VBID Model benefit.

sharing amounts.⁵ ($\$75.00 - \$4.80 = \$70.20$). CPP is 65% of the total drug cost ($\$300.00 * 0.65 = \195.00).

The Patient Pay Amount is determined by applying the VBID Model benefit (i.e., \$0.00 beneficiary cost-sharing). In this example, Other TrOOP is the VBID Model benefit amount paid by the plan in lieu of the LIS beneficiary cost-sharing and is equal to \$4.80 ($\$4.80 - \0.00). The plan populates the Part D Model Indicator with “01”.

After the claim is processed, the TGDCDC Accumulator increases by \$300.00, and the TrOOP Accumulator increases by \$75.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Part D Model Indicator	01
Ingredient Cost Paid	\$300.00
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)	\$300.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$0.00
Other TrOOP Amount	\$4.80
Low Income Cost Sharing Subsidy Amount (LICS)	\$70.20
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$195.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Reported Manufacturer Discount	\$30.00
Total Gross Covered Drug Cost Accumulator	\$850.00
True Out-of-Pocket Accumulator	\$655.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

Example 3: Actuarially Equivalent (AE) Plan in the ICP with a \$10.00 VBID Model Benefit Copay (Applicable Drug)

This example demonstrates how to report a PDE for a beneficiary in a VBID Model participating AE plan that purchases a \$200.00 covered Part D applicable VBID-eligible drug. When the claim adjudication begins, the TGDCDC Accumulator is \$700.00, and the TrOOP Accumulator is \$610.00. The AE plan charges a \$30.00 copay in the ICP for this drug. The VBID Model benefit reduces a Targeted Enrollee’s cost-sharing to a \$10.00 copay for this drug. The beneficiary is in

⁵ As stated in § 423.329(d)(1), the LICS amount for an LIS-eligible individual enrolled in a Part D plan for a coverage year is the “difference between the cost sharing for a non-LIS-eligible beneficiary under the Part D plan and the statutory cost sharing for a LIS-eligible beneficiary.”

the ICP of the benefit (TrOOP Accumulator \geq \$590.00 and TrOOP Accumulator + Delta TrOOP $<$ \$2,000.00); the ICP is the beginning and ending benefit phase.

In the ICP, the manufacturer discount is 10% of the total drug cost ($\$200.00 * 0.10 = \20.00) and the beneficiary pays the VBID Model benefit copay of \$10.00. The VBID cost-sharing reduction is reported in the Other TrOOP field and is calculated by subtracting the VBID Model benefit beneficiary cost-sharing amount from the beneficiary cost-sharing under the plan's benefit design and is equal to \$20.00 ($\$30.00 - \10.00). The plan pays the remaining drug cost of \$150.00 ($\$200.00 - \$20.00 - \$10.00 - \20.00) and reports this amount as CPP. The plan populates the Part D Model Indicator with "01".

After the claim is processed, the TGDCDC Accumulator increases by \$200.00, and the TrOOP Accumulator increases by \$30.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Part D Model Indicator	01
Ingredient Cost Paid	\$200.00
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 (GDCEB)	\$200.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$10.00
Other TrOOP Amount	\$20.00
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)	\$150.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Reported Manufacturer Discount	\$20.00
Total Gross Covered Drug Cost Accumulator	\$700.00
True Out-of-Pocket Accumulator	\$610.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

Example 4: DS Plan – ICP to Catastrophic Phase for an LIS Beneficiary with a \$0.00 VBID Model Benefit (Applicable Drug)

This example demonstrates how to report a PDE when a purchase of a \$400.00 covered Part D applicable VBID-eligible drug moves a category 2 LIS beneficiary in a VBID Model participating DS plan from the ICP to the Catastrophic Phase. When the claim adjudication begins, the TGDCDC Accumulator is \$5,990.00, and the TrOOP Accumulator is \$1,940.00. The plan's VBID Model benefit buys down the LIS copay on all Part D claims for LIS category 1 and 2 beneficiaries. Because the beneficiary meets the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the ICP and the ending benefit phase is

the Catastrophic Phase. The TrOOP amount remaining in the ICP is \$60.00 (\$2,000.00 - \$1,940.00). When a claim begins in the ICP, the following formula can be used to determine the drug cost remaining in the ICP:

$$\text{Remaining TrOOP Amount} / \text{TrOOP-eligible cost-sharing percentage in the ICP}$$

In the ICP of a DS Plan, for an LIS beneficiary, the TrOOP-eligible cost-sharing percentage is 25%, which is a combination of the beneficiary cost-sharing and LICS amount.⁶ On this PDE, using the formula above to calculate the drug cost remaining in the ICP based on the amount of TrOOP remaining ($\$60.00 / 0.25$) yields \$240.00 and is reported as GDCB. The remaining drug cost of \$160.00 falls in the Catastrophic Phase and is reported as GDCA.

The manufacturer discount is 10% of the drug cost falling in the ICP ($\$240.00 * 0.10 = \24.00) plus 20% of the drug cost falling in the Catastrophic Phase ($\$160.00 * 0.20 = \32.00), which equals \$56.00. To determine the LICS amount, the non-LIS beneficiary cost-sharing ($\$240.00 * 0.25 = \60.00) is compared to the LIS category 2 statutory cost-sharing amount (\$4.80). Because the LIS statutory cost-sharing amount is less than the non-LIS beneficiary cost-sharing amount, the LIS statutory cost-sharing amount of \$4.80 is used in the LICS formula as the LIS beneficiary cost-sharing amount. LICS is calculated as the difference between the non-LIS and LIS beneficiary cost-sharing amounts ($\$60.00 - \$4.80 = \$55.20$). CPP is 65% of drug costs in the ICP ($\$240.00 * 0.65 = \156.00) plus 80% of drug costs falling in the Catastrophic Phase ($\$160.00 * 0.80 = \128.00), which equals \$284.00.

The Patient Pay Amount is determined by applying the VBI Model benefit (i.e., \$0.00 beneficiary cost-sharing). In this example, Other TrOOP is the VBI Model benefit amount paid by the plan in lieu of the LIS beneficiary cost-sharing and is equal to \$4.80 ($\$4.80 - \0.00). The plan populates the Part D Model Indicator with "01".

After the claim is processed, the TGCDC Accumulator increases by \$400.00, and the TrOOP Accumulator increases by \$60.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Part D Model Indicator	01
Ingredient Cost Paid	\$400.00
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)	\$240.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$160.00
Patient Pay Amount	\$0.00

⁶ Because LICS is equal to the non-LIS cost-sharing amount minus the LIS cost-sharing amount, in a DS plan, this will always result in a Delta TrOOP equal to 25%. Therefore, it is not necessary to calculate LICS before calculating the TrOOP-eligible cost-sharing percentage in the ICP.

PDE Field	Value
Other TrOOP Amount	\$4.80
Low Income Cost Sharing Subsidy Amount (LICS)	\$55.20
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$284.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Reported Manufacturer Discount	\$56.00
Total Gross Covered Drug Cost Accumulator	\$5,990.00
True Out-of-Pocket Accumulator	\$1,940.00
Beginning Benefit Phase	N
Ending Benefit Phase	C