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DATE: October 31, 2024

TO: All Part D Plans

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SUBJECT: Medicare Plan Finder Part D Drug Pricing Data Submission Monitoring

The Centers for Medicare & Medicaid Services (CMS) will be monitoring Part D sponsors' Medicare Plan Finder (MPF) drug pricing submissions for significant price increases between the Medicare Annual Enrollment Period (AEP), which occurs during the fourth quarter (Q4) of the year prior to the start of the contract year (CY), and subsequent drug pricing submissions made for the first three quarters (Q1, Q2, and Q3) of the CY. This monitoring will begin in Q1 of 2025. CMS anticipates that this monitoring effort will continue past 2025 into future years. This memo describes the data elements CMS will monitor.

Background

Part D sponsors submit drug pricing and pharmacy network information to CMS on a biweekly basis for posting on the MPF tool on [medicare.gov/plan-compare](https://www.medicare.gov/plan-compare). Medicare beneficiaries and their families, agents/brokers, and State Health Insurance Assistance Program (SHIP) counselors all use the MPF tool during the Medicare AEP to assist beneficiaries with selecting their plan for the upcoming year, such as a Medicare Advantage Prescription Drug (MA-PD) plan or stand-alone Prescription Drug Plan (PDP). The MPF tool is critical in providing beneficiaries with reliable information about their plan options. According to CMS' Part D Pricing Data Submission Guidance,¹ drug pricing submissions must be complete and accurate in all respects.

In the CY 2025 Advance Notice and Final Rate Announcement,² CMS discussed our concern that some Part D sponsors may be submitting artificially low drug prices for posting on MPF during the Medicare AEP. Artificially low prices could attract beneficiaries to enroll in the plan, but beneficiaries then experience higher prices when using their benefit. Our concern is based on several factors, including:

1. Feedback from SHIP counselors, including concern that beneficiaries have complained that drug prices increase at the start of the benefit compared to the estimated drug costs

¹ Annual Part D Pricing Data Submission Guidance documents available at:
<https://www.cms.gov/medicare/coverage/prescription-drug-coverage/formulary-guidance>

² Advanced Notices and Final Rate Announcements available at:
<https://www.cms.gov/medicare/payment/medicare-advantage-rates-statistics/announcements-and-documents>

on MPF they relied on during the Medicare AEP when selecting plans for the following year.

2. Review of beneficiary complaints in the Complaint Tracking Module (CTM) from 2022 to 2024, alleging prices encountered at the pharmacy during the plan year were higher than those they saw on MPF during the Medicare AEP.
3. Analysis of biweekly drug price submissions from Part D sponsors for posting on MPF, which is discussed in more detail below.

In the CY 2025 Advance Notice, we sought comment on a new measure concept that would assess whether Part D sponsors are setting drug prices artificially low for posting on MPF during the Medicare AEP and then raising the prices after the start of the new contract year. CMS received mixed support from commenters on the measure concept. As discussed in the CY 2025 Final Rate Announcement, supporters of the measure concept agreed that it is important for Medicare beneficiaries to have accurate data on MPF to compare their plan options for the upcoming year and for CMS to identify plans displaying inaccurate pricing during the Medicare AEP. Alternatively, some commenters suggested that CMS audits and compliance actions may better address this behavior. Upon consideration of these comments, rather than pursuing the development of a performance measure for purposes of the Part D Star Ratings, we have decided to take a monitoring approach to determine if the drug prices Part D sponsors submit for posting during the Medicare AEP increase significantly after the start of the new contract year.

Methodology

To monitor drug price increases between the Medicare AEP and the CY, CMS will compare the biweekly drug pricing data submitted by Part D sponsors for posting on MPF during the Medicare AEP to biweekly drug pricing data submitted during the first three quarters of the CY. CMS will identify drugs by National Drug Code (NDC) under each Part D plan (Plan-NDC level) that had a significant price increase between the two time periods. For example, for Q1 of 2025, CMS will identify Plan-NDCs that had a significant price increase between biweekly drug pricing data submissions during the Medicare AEP period for CY 2025 (i.e. Q4 of 2024) and Q1 of 2025.

To determine if a price increase was significant for a Plan-NDC, CMS will assess several factors, including:

1. The percent change and absolute change in average unit cost for the Plan-NDC must be higher than a minimum threshold set by CMS. Specifically:
 - a. The percent change in average unit cost must be higher than 50%;
 - b. The absolute change in average unit cost must be more than \$0.30;³
2. The percent change in average unit cost must be higher than the median percent change in average unit cost for the drug across all Part D plans;
3. The percent change must exceed the percent change in Wholesale Acquisition Cost (WAC) for the drug over the same time period;

³ A \$0.30 increase in unit cost would result in roughly a \$100 increase to the annual gross drug cost for a beneficiary taking 1 pill per day.

4. The percent change must exceed the percent change in Average Wholesale Price (AWP) for the drug over the same time period.

Part D sponsors may submit multiple prices for a drug as part of their biweekly MPF submissions. For each submission, CMS will calculate a utilization-weighted average unit cost for each Plan-NDC, using 1-month retail unit costs for pharmacies within the plan's service area. The average unit costs for a given Plan-NDC will then be compared between the Medicare AEP and the relevant quarter (for example, Q1 of 2025).

To be eligible for the analysis, an NDC must appear in all the Formulary Reference Files corresponding to the evaluated MPF posting periods. This limits our analysis to drugs for which we have prices in both time periods that we are analyzing. Additionally, drugs with low utilization are excluded from this analysis.⁴

After identifying significant price increases between the two time periods in the analysis (e.g., AEP and Q1), Part D plans with a high share of NDCs with significant price increases relative to other Part D plans will be flagged as outliers.

Preliminary Analysis Results

Using the above methodology, we analyzed biweekly drug pricing and pharmacy network submissions from Part D sponsors from 2022, 2023, and 2024. We identified Plan-NDCs with a significant price increase between the Medicare AEP and Q1 of each year.⁵ We then identified Part D plans with a high share of significant price increases.

The highest proportion of NDCs with a significant price increase under a plan was 30% in 2022, 18% in 2023, and 87% in 2024. The Plan-NDC with the highest percentage increase in unit price had an increase of 2,827,700% in 2022, 378,170% for 2023, and 181,350% in 2024. These percentages were very high compared to the median percent increase in unit price for those NDCs across all Part D plans, which was 0.3% in 2022, and 0.0% in both 2023 and 2024. The Plan-NDC with the highest dollar value increase in unit price was \$1,899 in 2022, \$1,896 in 2023, and \$34,944 in 2024.

Notification of Outlier Status

Beginning with the Q1 2025 monitoring period, each Part D sponsor will be provided with results for its contracts' Plan-NDCs with significant price increases. The results will indicate which, if any, of the contracts' plans were found to be an outlier and include a list of Plan-NDCs determined to have a significant price increase. These results are informational in nature. More information on how to access these reports will be sent when the reports become available.

⁴ A drug is considered to have low utilization if it had a Part D gross drug cost per utilizer of less than \$100 during the year that the Medicare AEP began in. There is an exception to the exclusion for new drugs, meaning drugs with a marketing start date on or after January of the year the Medicare AEP began. New drugs are granted an exception to this restriction because we do not have a full year of data for the drug to calculate an annual gross drug cost per utilizer. More information on marketing start date can be found at <https://www.fda.gov/industry/structured-product-labeling-resources/nsde>.

⁵ For example, for the 2022 analysis, we compared prices between the 10/11/2021 - 10/24/2021 posting period and the 2/14/2022 - 2/27/2022 posting period.

CMS may use these findings to investigate the reasons behind particular plans' pricing increases, as CMS is interested in learning from plan sponsors the reasons for the observed price changes.

As previously stated, bi-weekly data submissions for posting on MPF must be complete and accurate to provide beneficiaries with drug cost information necessary to make plan selections during the Medicare AEP and throughout the year. Plan sponsors should continue to ensure the accuracy of their Part D pricing data submissions.^{6,7}

If you have questions about this monitoring effort, email PlanFinderQA@cms.hhs.gov.

⁶ Annual Part D Pricing Data Submission Guidance documents available at:

<https://www.cms.gov/medicare/coverage/prescription-drug-coverage/formulary-guidance>

⁷ Every October 1st, the MPF tool shifts to support the Medicare AEP by showing plan sponsors' health and drug costs for the upcoming CY. Therefore, plan sponsors should submit accurate biweekly Part D pricing data for the upcoming CY.