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

CENTER FOR MEDICARE & MEDICAID INNOVATION

DATE: December 1, 2022

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: VBID Prescription Drug Event (PDE) Reporting Guidance for Contract Year (CY) 2023

The Centers for Medicare & Medicaid Services (CMS) is providing PDE reporting guidance to Part D sponsors participating in the VBID Model. This guidance provides additional clarification and specific PDE examples as a follow-up to the June 1, 2022 email to VBID participants titled, "VBID Model Guidance on Treatment of Reductions in Part D Cost-Sharing."[1]

VBID Model participating Part D sponsors are required to report VBID-eligible PDEs (defined as the set of PDEs for a given enrollee where approved VBID Model benefits are being applied) in accordance with this guidance for PDEs that have a Date of Service (DOS) on or after January 1, 2023. CMS does not expect plans to resubmit previously accepted VBID-eligible PDEs with a DOS prior to January 1, 2023 that may have been reported in accordance with a plan's interpretation of previously published VBID Model guidance that is not consistent with this memorandum.

In order to appropriately process VBID-eligible PDEs, CMS will require VBID-eligible PDEs with a DOS on or after January 1, 2023 to be submitted with a value of "01" in the Part D Model Indicator field.[2] CMS is currently in the process of updating DDPS to address a number of edit 870 PDE rejections that Part D sponsors are receiving when submitting PDEs in accordance with the examples provided in this document. CMS will notify Part D sponsors when these system updates are completed and sponsors will be able to resubmit erroneously rejected PDEs at that time.

VBID Model participating plans that submit VBID-eligible PDEs with a DOS in CY 2023 are eligible to receive a temporary retrospective subsidy under section 1860D-15(h) of the Social

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[1] This document is available at https://innovation.cms.gov/media/document/vbid-partd-buydown-guidance. VBID Model participating Part D sponsors are required to comply with CMS guidance regarding PDE reporting, as noted in the applicable year's Contract Amendment Addendum.
[2] 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-systemshpmshpms-memos-archive/hpms-memos-wk-2-october-10-14).

Security Act (the Act) as added by the Inflation Reduction Act (IRA) when the VBID Model benefit exceeds the IRA's $35.00 cap on cost sharing for a one-month supply of a covered insulin product or $0.00 for an ACIP-recommended adult vaccine. During claim adjudication, the Inflation Reduction Act Subsidy Amount (IRASA) is calculated after the VBID Model benefit is applied. Additional guidance for calculating IRASA can be found in the September 26, 2022 HPMS memorandum titled, "Contract Year 2023 Program Guidance Related to Inflation Reduction Act Changes to Part D Coverage of Vaccines and Insulin."[3]

The following examples use CY 2023 Part D benefit parameters.

Example 1: Defined Standard plan in the Initial Coverage Phase (ICP) for a Low Income Subsidy (LIS) Beneficiary

This example demonstrates how to report a VBID-eligible PDE for a $325.00 brand drug ($325.00 ingredient cost/$0.00 dispensing fee) in the ICP for an LIS category 2 beneficiary. When the claim adjudication begins, the Total Gross Covered Drug Cost (TGCDC) Accumulator is $804.77, and the True Out-of-Pocket Cost (TrOOP) Accumulator is $568.44; the ICP is the beginning benefit phase and the ending benefit phase. The Part D plan's VBID Model benefit waives the LIS copay on this drug for LIS category 1 and 2 beneficiaries.

In the reporting steps below, both the non-LIS beneficiary cost sharing amount and the LIS beneficiary cost sharing amount are determined prior to applying the VBID Model benefit. In this example, the VBID Model benefit is applied after all other calculations have been performed.

Step 1 – Calculate the *non-VBID*, non-LIS beneficiary cost sharing:
The non-LIS beneficiary is in the Initial Coverage Phase of the Defined Standard benefit requiring 25% coinsurance for this drug ($325.00 * 0.25 = $81.25).

Step 2 – Determine the *non-VBID*, LIS beneficiary cost sharing:
According to 2023 Part D benefit parameters, a category 2 LIS beneficiary pays $4.30 for a brand drug in the ICP.

Step 3 – Compare *non-VBID*/non-LIS and *non-VBID*/LIS beneficiary cost sharing:
The non-LIS beneficiary cost sharing amount, as calculated in Step 1, is $81.25. The LIS beneficiary cost sharing amount, as determined in Step 2, is $4.30. According to the "lesser of" test, the LIS beneficiary is responsible for which ever amount is less. 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 $4.30 to calculate the low-income cost sharing subsidy (LICS) amount in Step 4.

Step 4 – Apply LICS formula:
The LICS amount equals the difference between the non-LIS and LIS beneficiary cost sharing amounts. As determined in Step 3, the LIS beneficiary cost sharing used in the LICS formula is equal to the LIS beneficiary cost sharing that was calculated in Step 2 because of the "lesser of" test. The LICS amount is therefore $76.95 ($81.25 – $4.30).

[3] This memorandum is available on HPMS Memos for WK 5 September 26-30.

Step 5 – Calculate Covered D Plan Paid (CPP) Amount:
In the Defined Standard benefit, the plan covers the drug costs not covered by the beneficiary or the LICS amount. The total amount of the plan-covered drug costs are reported on the PDE record as the CPP amount. In this example, the CPP amount is $243.75 ($325.00 - $4.30 - $76.95).

Step 6 – Calculate Patient Liability Reduction due to Other Payer (PLRO) & Patient Pay:
Patient Pay is determined by applying the VBID Model benefit ($0.00). In this example, PLRO is the amount paid by the plan in lieu of the beneficiary cost sharing as determined in Step 3. PLRO is $4.30 ($4.30 - $0.00).

Beginning in 2023, the plan will populate the Part D Model Indicator with "01". The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	Value
Total Gross Covered Drug Cost Accumulator	$804.77
True Out of Pocket Accumulator	$568.44
Beginning Benefit Phase	N
Ending Benefit Phase	N
Part D Model Indicator	01
Ingredient Cost Paid	$325.00
Dispensing Fee Paid	$0.00
Sales Tax	$0.00
Vaccine Administration Fee	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$325.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$0.00
Covered D Plan Paid Amount (CPP)	$243.75
Low-Income Cost Sharing Subsidy (LICS) Amount	$76.95
Non-Covered Plan Paid Amount (NPP)	$0.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$4.30
Reported Gap Discount	$0.00

Example 2A: Enhanced Alternative (EA) Plan in the Coverage Gap (EA Supplemental Benefit and VBID Model benefit)

This example demonstrates how to report a VBID-eligible PDE for a $100.00 applicable drug ($97.00 ingredient cost/$3.00 dispensing fee) that falls entirely within the Coverage Gap. The Part D plan's VBID Model benefit reduces a Model-eligible applicable beneficiary's cost sharing to a $5.00 copay for this drug. Prior to the application of the VBID Model benefit, a non-LIS beneficiary in this plan would have paid a $20.00 copay for this drug in the Coverage Gap (EA supplemental benefit).

Step 1 - Determine costs that fall within the Coverage Gap:
When the claim adjudication begins, the TGCDC Accumulator is $4,730.00 and the TrOOP Accumulator is $1,307.23. The beneficiary's Gross Covered Drug Cost has exceeded the Initial

Coverage Limit (TGCDC > ICL), and the beneficiary's TrOOP remains below the TrOOP threshold (Accumulated TrOOP < TrOOP threshold) through the processing of the claim. The Coverage Gap is the beginning benefit phase and the ending benefit phase.

Step 2 – Determine plan liability – *using VBID Model benefit*:
The plan liability is equal to the difference between the total cost falling in the Coverage Gap and the applicable beneficiary Coverage Gap copay or coinsurance under the VBID Model benefit. The plan liability is calculated by subtracting the VBID Model benefit from the total drug cost ($100.00 - $5.00 = $95.00).

Step 3 – Determine the Coverage Gap discount eligible cost:
The discount eligible cost is the total drug cost in the gap minus the plan liability and the beneficiary liability for the dispensing fee. As calculated in Step 2, the plan liability (reflective of the VBID Model benefit) is $95.00. The beneficiary copay is 5% of the drug cost in the gap; therefore, the beneficiary pays 5% of the ingredient cost ($97.00 * 0.05 = $4.85) and 5% of the dispensing fee ($3.00 * 0.05 = $0.15). In this example, the discount eligible cost is $4.85 ($100.00 - $95.00 (plan liability) - $0.15 (beneficiary cost sharing for the dispensing fee in the gap)).

Step 4 - Calculate the Coverage Gap discount:
The gap discount is 70% of the $4.85 discount eligible cost, or $3.40.

Step 5 - Determine beneficiary cost sharing:
The beneficiary liability consists of the remaining portion of the discount eligible cost and a portion of the dispensing fee. The beneficiary liability is $1.60 ($4.85 (discount eligible cost) – ($3.40 (gap discount) + $0.15 (beneficiary cost sharing for dispensing fee in gap)).

Step 6 - Calculate CPP, Non-Covered Plan Paid (NPP) and PLRO Amounts:
To determine the portion of this amount that is CPP, we consider this claim in light of the defined standard benefit where CPP is 5% of ingredient cost and sales tax in the gap plus 75% of dispensing fee in the gap. CPP is $7.10 (($97.00 * 0.05) + ($3.00 * 0.75)).

The difference between the original Patient Pay amount after the application of any supplemental coverage the plan offers outside of the VBID Model and the reduced cost sharing amount after the application of the VBID Model benefit (i.e., the cost sharing buy-down under the VBID Model) should be reported on the PDE in the PLRO field.[4] EA plans that have both an EA supplemental benefit and a VBID Model benefit calculate PLRO by subtracting the copay or coinsurance offered under the VBID Model benefit from the copay or coinsurance offered under the EA supplemental benefit design. In this example, PLRO is $15.00 ($20.00 (copay under EA supplemental benefit) - $5.00 (copay under VBID Model benefit)).

NPP is the total drug cost in the gap minus the sum of beneficiary cost sharing, the gap discount, CPP, and PLRO. In this example, NPP is $72.90 ($100.00 – ($1.60 + $3.40 + $7.10 + $15.00)).

[4] Please see the CY 2023 VBID Model Monitoring Guidelines, available on the VBID Model Webpage: https://innovation.cms.gov/innovation-models/vbid

Beginning in 2023, the plan will populate the Part D Model Indicator with "01". The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	**Value**
Total Gross Covered Drug Cost Accumulator	$4,730.00
True Out of Pocket Accumulator	$1,307.23
Beginning Benefit Phase	G
Ending Benefit Phase	G
Part D Model Indicator	01
Ingredient Cost Paid	$97.00
Dispensing Fee Paid	$3.00
Sales Tax	$0.00
Vaccine Administration 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	$1.60
Covered D Plan Paid Amount (CPP)	$7.10
Low-Income Cost Sharing Subsidy (LICS) Amount	$0.00
Non-Covered Plan Paid Amount (NPP)	$72.90
Patient Liability Reduction due to Other Payer Amount (PLRO)	$15.00
Reported Gap Discount	$3.40

Example 2B: Enhanced Alternative (EA) Plan in the Coverage Gap (EA Supplemental Benefit and VBID Model Benefit) - *$0.00 Copay VBID Model Benefit*

The VBID Model benefit in this example is a $0.00 copay rather than a $5.00 copay; otherwise, the claim parameters in this example are identical to those listed in Example 2A. The same steps should be performed as above, replacing the $5.00 copay VBID Model benefit with a $0.00 copay VBID Model benefit. The following table displays the resulting PDE record.

PDE Field	**Value**
Total Gross Covered Drug Cost Accumulator	$4,730.00
True Out of Pocket Accumulator	$1,307.23
Beginning Benefit Phase	G
Ending Benefit Phase	G
Part D Model Indicator	01
Ingredient Cost Paid	$97.00
Dispensing Fee Paid	$3.00
Sales Tax	$0.00
Vaccine Administration 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
Covered D Plan Paid Amount (CPP)	$7.10

PDE Field	Value
Low-Income Cost Sharing Subsidy (LICS) Amount	$0.00
Non-Covered Plan Paid Amount (NPP)	$72.90
Patient Liability Reduction due to Other Payer Amount (PLRO)	$20.00
Reported Gap Discount	$0.00

Example 3A: EA Plan in the Coverage Gap (VBID Model benefit only)

This example demonstrates how to report a VBID-eligible PDE for a $200.00 applicable drug ($198.00 ingredient cost/$2.00 dispensing fee) that falls entirely within the Coverage Gap. The Part D plan's VBID Model benefit reduces a Model-eligible beneficiary's cost sharing to a $15.00 copay for this drug. The EA plan does not have additional supplemental benefits in the Coverage Gap outside of the VBID Model benefit.

Step 1 - Determine costs that fall within the Coverage Gap:
When the claim adjudication begins, the TGCDC Accumulator is $5,120.00 and the TrOOP Accumulator is $1,583.00. The beneficiary's Gross Covered Drug Cost has exceeded the Initial Coverage Limit (TGCDC > ICL), and the beneficiary's TrOOP remains below the TrOOP threshold (Accumulated TrOOP < TrOOP threshold) through the processing of the claim. The Coverage Gap is the beginning benefit phase and the ending benefit phase.

Step 2 – Determine plan liability – *using VBID Model benefit*:
The plan liability is equal to the difference between the total cost falling in the Coverage Gap and the applicable beneficiary Coverage Gap copay or coinsurance under the VBID Model benefit. The plan liability is calculated by subtracting the VBID Model benefit from the total drug cost ($200.00 - $15.00 = $185.00).

Step 3 – Determine the discount eligible cost:
The discount eligible cost is the total drug cost in the gap minus the plan liability and the beneficiary liability for the dispensing fee. As calculated in Step 2, the plan liability (reflective of the VBID Model benefit) is $185.00. The beneficiary copay is 7.5% of the cost of the drug; therefore, the beneficiary pays 7.5% of the ingredient and sales tax cost ($198.00 * 0.075= $14.85) and 7.5% of the dispensing fee ($2.00 * 0.075 = $0.15). In this example, the discount eligible cost is $200.00 - $185.00 (plan liability) - $0.15 (beneficiary cost sharing for the dispensing fee in the gap) = $14.85.

Step 4 - Calculate the Gap Discount:
The gap discount is 70% of the $14.85 discount eligible cost, or $10.40.

Step 5 - Determine beneficiary cost sharing:
The beneficiary liability consists of the remaining portion of the discount eligible cost and a portion of the dispensing fee. The beneficiary liability is $4.60 ($14.85 * 0.3 (remaining portion of discount eligible cost) + $2.00 * 0.075 (beneficiary copay with respect to dispensing fee)).

Step 6 - Calculate CPP, NPP, and PLRO:
To determine the portion of the total drug cost that is CPP, we consider this claim in light of the defined standard benefit where CPP is 5% of ingredient cost in the gap plus 75% of dispensing fee in the gap. In this example, CPP equals $11.40 ($198.00 * 0.05 + $2.00 * 0.75).

Outside of the VBID Model benefit, the plan does not offer supplemental benefits in the Coverage Gap. Therefore, NPP = $0.00 and PLRO is the total drug cost in the gap minus the sum of the beneficiary liability under the plan's VBID Model benefit, the gap discount, and CPP. In this example, PLRO is calculated as $200.00 – ($4.60 + $10.40 + $11.40) = $173.60. Note that PLRO consists of the *total* VBID buy-down, which includes the higher reported gap discount that this PDE would have had under the plan's benefit design if it were not a VBID-eligible PDE.

Beginning in 2023, the plan will populate the Part D Model Indicator with "01". The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	**Value**
Total Gross Covered Drug Cost Accumulator	$5,120.00
True Out of Pocket Accumulator	$1,583.00
Beginning Benefit Phase	G
Ending Benefit Phase	G
Part D Model Indicator	01
Ingredient Cost Paid	$198.00
Dispensing Fee Paid	$2.00
Sales Tax	$0.00
Vaccine Administration 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	$4.60
Covered D Plan Paid Amount (CPP)	$11.40
Low-Income Cost Sharing Subsidy (LICS) Amount	$0.00
Non-Covered Plan Paid Amount (NPP)	$0.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$173.60
Reported Gap Discount	$10.40

Example 3B: EA Plan in the Coverage Gap (VBID Model Benefit only) - *$0.00 Copay VBID Model Benefit*

The VBID Model benefit in this example is a $0.00 copay rather than a $15.00 copay; otherwise, the claim parameters in this example are identical to those listed in Example 2A. The same steps should be performed as above, replacing the $15.00 copay VBID Model benefit with a $0.00 copay VBID Model benefit. The following table displays the resulting PDE record.

PDE Field	**Value**
Total Gross Covered Drug Cost Accumulator	$5,120.00
True Out of Pocket Accumulator	$1,583.00
Beginning Benefit Phase	G
Ending Benefit Phase	G
Part D Model Indicator	01
Ingredient Cost Paid	$198.00

PDE Field	Value
Dispensing Fee Paid	$2.00
Sales Tax	$0.00
Vaccine Administration 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	$0.00
Covered D Plan Paid Amount (CPP)	$11.40
Low-Income Cost Sharing Subsidy (LICS) Amount	$0.00
Non-Covered Plan Paid Amount (NPP)	$0.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$188.60
Reported Gap Discount	$0.00

Example 4: Actuarily Equivalent (AE) Plan in the ICP

This example demonstrates how to report a VBID-eligible PDE for a $310.00 drug ($310.00 ingredient cost/$0.00 dispensing fee) that falls entirely within the ICP. The Part D plan's VBID Model benefit reduces a Model-eligible beneficiary's cost sharing to a $30.00 copay for this drug. Prior to the application of the VBID Model benefit, a non-LIS beneficiary in this plan would have paid a $40.00 copay for this drug in the ICP.

When the claim adjudication begins, the TGCDC Accumulator is $706.45 and the TrOOP Accumulator is $535.00. The beneficiary's Gross Covered Drug Cost is less than the Initial Coverage Limit (TGCDC < ICL) and the beneficiary's TrOOP remains below the TrOOP threshold (Accumulated TrOOP < TrOOP threshold) through the processing of the claim. The ICP is the beginning benefit phase and the ending benefit phase.

The beneficiary pays the VBID Model benefit copay of $30.00 and this is reported in the Patient Pay field. Similar to EA reporting for VBID-eligible PDEs, the VBID buy-down is reported in PLRO. This is calculated by subtracting the copay or coinsurance offered under the VBID Model benefit from the copay or coinsurance offered under the plan's alternate cost sharing structure. PLRO equals $10.00 ($40.00 - $30.00). The plan covers the remaining drug cost of $270.00, which is reported in CPP.

Beginning in 2023, the plan will populate the Part D Model Indicator with "01". The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	Value
Total Gross Covered Drug Cost Accumulator	$706.45
True Out of Pocket Accumulator	$535.00
Beginning Benefit Phase	N
Ending Benefit Phase	N
Part D Model Indicator	01
Ingredient Cost Paid	$310.00
Dispensing Fee Paid	$0.00

PDE Field	Value
Sales Tax	$0.00
Vaccine Administration Fee	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$310.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$30.00
Covered D Plan Paid Amount (CPP)	$270.00
Low-Income Cost Sharing Subsidy (LICS) Amount	$0.00
Non-Covered Plan Paid Amount (NPP)	$0.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$10.00
Reported Gap Discount	$0.00

Example 5: Basic Alternative (BA) Plan in the Coverage Gap

This example demonstrates how to report a VBID-eligible PDE for a $325.00 applicable drug ($319.00 ingredient cost/$6.00 dispensing fee) that falls entirely within the Coverage Gap. The Part D plan's VBID Model benefit reduces a Model-eligible beneficiary's cost sharing to a $30.00 copay for this drug.

Step 1 - Determine costs that fall within the Coverage Gap:
When the claim adjudication begins, the TGCDC Accumulator is $5,892.37 and the TrOOP Accumulator is $1,788.75. The beneficiary's Gross Covered Drug Cost has exceeded the Initial Coverage Limit (TGCDC > ICL), and the beneficiary's TrOOP remains below the TrOOP threshold (Accumulated TrOOP < TrOOP threshold) through the processing of the claim. The Coverage Gap is the beginning benefit phase and the ending benefit phase.

Step 2 – Determine plan liability - *using VBID Model benefit*:
The plan liability is equal to the difference between the total cost falling in the Coverage Gap and the applicable beneficiary Coverage Gap copay or coinsurance under the VBID Model benefit. The plan liability is calculated by subtracting the VBID Model benefit from the total drug cost ($325.00 - $30.00 = $295.00).

Step 3 – Determine the discount eligible cost:
The discount eligible cost is the total drug cost in the gap minus the plan liability and the beneficiary liability for the dispensing fee. As calculated in Step 2, the plan liability (reflective of the VBID Model benefit) is $295.00. The beneficiary copay is 9.23% of the cost of the drug; therefore, the beneficiary pays 9.23% of the ingredient cost ($319.00 * 0.0923 = $29.45) and 9.23% of the dispensing fee ($6.00 * 0.0923 = $0.55). In this example, the discount eligible cost is $325.00 (total drug cost) - $295.00 (plan liability) - $0.55 (beneficiary cost sharing for the dispensing fee in the gap) = $29.45.

Step 4 - Calculate the Gap Discount:
The gap discount is 70% of the $29.45 discount eligible cost, or $20.62.

Step 5 - Determine beneficiary cost sharing:

The beneficiary liability consists of the remaining portion of the discount eligible cost and a portion of the dispensing fee. The beneficiary liability is $9.38 ($29.45 * 0.3 (portion of discount eligible cost) + $6.00 * 0.0923 (portion of dispensing fee)).

Step 6 - Calculate CPP and PLRO:
CPP in the Coverage Gap is equal to 5% of the ingredient cost and sales tax plus 75% of the dispensing fee. CPP equals $20.45 (($319.00 * 0.05) + ($6.00 * 0.75)).

BA and AE plans should report VBID-eligible PDEs with PLRO. PLRO represents the VBID buy-down and, in this example, is the total drug cost in the gap minus beneficiary liability under the plan's VBID benefit design, minus gap discount, minus CPP. PLRO is $325.00 – ($9.38 + $20.62 + $20.45) = $274.55.

PDE Field	Value
Total Gross Covered Drug Cost Accumulator	$5,892.37
True Out of Pocket Accumulator	$1,788.75
Beginning Benefit Phase	G
Ending Benefit Phase	G
Part D Model Indicator	01
Ingredient Cost Paid	$319.00
Dispensing Fee Paid	$6.00
Sales Tax	$0.00
Vaccine Administration Fee	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$325.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$9.38
Covered D Plan Paid Amount (CPP)	$20.45
Low-Income Cost Sharing Subsidy (LICS) Amount	$0.00
Non-Covered Plan Paid Amount (NPP)	$0.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$274.55
Reported Gap Discount	$20.62

Example 6: EA Plan Coverage Gap to Catastrophic Straddle Claim (VBID Model benefit & EA Supplemental Benefit in the Coverage Gap) where the VBID Model Benefit Cost Sharing exceeds Remaining TrOOP

This example demonstrates how to report a VBID-eligible PDE for a $180.00 applicable drug ($173.00 ingredient cost/$7.00 dispensing fee) that straddles from the Coverage Gap Phase to the Catastrophic Phase. The Part D plan's VBID Model benefit reduces a Model-eligible beneficiary's cost sharing to a $35.00 copay for this drug in the Coverage Gap. Prior to the application of the VBID Model benefit, a non-LIS beneficiary in this plan would have paid a $45.00 copay for this drug in the Coverage Gap (EA supplemental benefit). The plan offers neither a VBID Model benefit nor an EA supplemental benefit in the Catastrophic Phase.

Step 1 - Determine costs that fall within the Coverage Gap:

When the claim adjudication begins, the TGCDC Accumulator is $14,125.00 and the TrOOP Accumulator is $7,395.00; the beginning benefit phase is the Coverage Gap. Remaining TrOOP is $5.00 (TGCDC – TrOOP threshold). The VBID Model benefit is $35.00 in the Coverage Gap, but there is only $5.00 in remaining TrOOP. The beneficiary copay is capped at $5.00 and a portion of the claim is within the Catastrophic Phase.

Step 2 – Determine plan liability – *using VBID Model benefit*:
In this example, the plan's VBID Model benefit is a $35.00 copay in the Coverage Gap. Because the copay in the Coverage Gap is greater than the remaining TrOOP amount, the beneficiary copay is $5.00 and there is no plan liability in the Coverage Gap.

Step 3 – Determine the discount eligible cost:
In this example, the discount eligible cost is the total cost in the Coverage Gap minus plan liability (the dispensing fee falls entirely within the Catastrophic Phase). The discount eligible cost is therefore $5.00 - $0.00 = $5.00.

Step 4 - Calculate the Gap Discount:
The gap discount is 70% of the $5.00 discount eligible cost, or $3.50.

Step 5 - Determine beneficiary cost sharing
The plan has a $35.00 VBID Model benefit in the Coverage Gap and has neither a VBID Model benefit nor EA supplemental coverage in the Catastrophic phase. Consistent with long-standing Part D policy, when the plan charges a copay in adjoining benefit phases, for a PDE that straddles both of those phases, the beneficiary pays only the copay associated with the benefit phase in which the adjudication began, and the copay is capped at the remaining drug cost in the beginning phase.[5] In the Catastrophic phase, the beneficiary is responsible for the greater of 5% of drug costs falling in the Catastrophic phase ($175.00 * 0.05 = $8.75) or a $10.35 Catastrophic phase copay. The Catastrophic phase copay of $10.35 is greater than the Catastrophic phase coinsurance of $8.75, but because this results in the beneficiary having a copay in both the Coverage Gap and Catastrophic phase, the beneficiary is only responsible for the $5.00 capped copay in the Coverage Gap.

Step 6 - Calculate CPP, Non-Covered Plan Paid (NPP) and PLRO Amounts:
<u>Coverage Gap:</u>
To determine the portion of this amount that is CPP, we consider this claim in light of the defined standard benefit where CPP is 5% of ingredient cost and sales tax in the gap plus 75% of dispensing fee in the gap. Because the amount of the claim falling in the Catastrophic phase exceeds the dispensing fee on the claim, there is no plan liability for this fee in the Coverage Gap. CPP equals $0.25 ($5.00 * .05).

NPP is determined by taking the cost falling within the Coverage Gap and subtracting the beneficiary cost sharing, reported gap discount, and CPP. NPP is $5.00 – ($1.50 + $3.50 + $0.25) = -$0.25.

[5] See HPMS memorandum, *Q&A Addressing Claims Straddling Co-payment Benefit Phases*, April 26, 2007 (available at https://www.cms.gov/httpseditcmsgovresearch-statistics-data-and-systemscomputer-data-and-systemshpmshpms-memos-archive/hpms-memos-2007-qtrs-1-4).

The difference between the original Patient Pay amount after the application of any supplemental coverage the plan offers outside of the VBID Model and the reduced cost sharing amount after the application of the VBID Model benefit (i.e., the cost sharing buy-down under the VBID Model) should be reported on the PDE in the PLRO field. EA plans that have both an EA supplemental benefit and a VBID Model benefit calculate PLRO by subtracting the copay or coinsurance offered under the VBID Model benefit from the copay or coinsurance offered under the EA supplemental benefit design. PLRO equals $0.00 ($5.00 - $5.00). Note that the EA plan's $45.00 non-VBID copay would have also been capped at $5.00.

Catastrophic Phase:
CPP is the lesser of 95% of the drug cost in Catastrophic or drug cost in the Catastrophic minus $10.35. In this case, CPP is $164.65 (($175.00 * 0.95 = $166.25) > ($175.00 - $10.35 = $164.65)).

NPP is determined by taking the cost falling within the Catastrophic phase and subtracting the beneficiary cost sharing and CPP. NPP is $175.00 – ($0.00 + $164.65) = $10.35.

There is not a VBID Model benefit in the Catastrophic Phase. PLRO = $0.00 in the Catastrophic Phase.

Beginning in 2023, the plan will populate the Part D Model Indicator with "01". The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	Value
Total Gross Covered Drug Cost Accumulator	$14,125.00
True Out of Pocket Accumulator	$7,395.00
Beginning Benefit Phase	G
Ending Benefit Phase	C
Part D Model Indicator	01
Ingredient Cost Paid	$173.00
Dispensing Fee Paid	$7.00
Sales Tax	$0.00
Vaccine Administration 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)	$175.00
Patient Pay Amount	$1.50
Covered D Plan Paid Amount (CPP)	$164.90
Low-Income Cost Sharing Subsidy (LICS) Amount	$0.00
Non-Covered Plan Paid Amount (NPP)	$10.10
Patient Liability Reduction due to Other Payer Amount (PLRO)	$0.00
Reported Gap Discount	$3.50

For questions regarding this guidance, please contact the VBID Model Team at VBID@cms.hhs.gov.