



CMS Releases 2010 Medicare Part D Benefit Parameters

The Centers for Medicare and Medicaid Services (CMS) has updated the Medicare Part D standard benefit parameters and the cost thresholds and limits for qualified retiree prescription drug plans for 2010.

Background

By statute, CMS must update the parameters for the standard Medicare Part D drug benefit on an annual basis to account for the increased cost of prescription drugs. Most Part D benefit parameters are updated using the annual percentage increase in average expenditures for Part D drugs per beneficiary, and are subject to various rounding rules. Certain parameters related to the low-income program are adjusted based on the annual percentage increase in the Consumer Price Index.

CMS Memo

CMS has issued a [memo](#) providing the updated numbers and thresholds for 2010 as outlined below. Adjustments for certain parameters with respect to low-income dual eligible enrollees can be found in the memo.

Medicare Part D Parameters

The 2010 parameters below were calculated using the annual percentage increase method. The 2010 annual percentage increase is 4.66%.

Standard Benefit Parameters

	2009	2010
Deductible	\$ 295	\$ 310
Initial Coverage Limit	2,700	2,830
Out-of-Pocket (OOP) Threshold	4,350	4,550
Minimum Co-Pays (Catastrophic Portion of Benefit)		
Generic/Preferred Drug	2.40	2.50
All Other Drugs	6.00	6.30

Total Covered Part D Spending at OOP Threshold

The amount below represents a beneficiary's total out-of-pocket expense before catastrophic coverage commences.

	2009	2010
Total Out-of-Pocket Expense	\$ 6,153.75	\$ 6,440.00

Retiree Drug Subsidy Amounts

Plan sponsors who qualify for the retiree drug subsidy (RDS) will be required to meet increased cost threshold and cost limit levels for 2010.

	2009	2010
RDS Cost Threshold	\$ 295	\$ 310
RDS Cost Limit	\$ 6,000	6,300

Thus, the maximum potential subsidy per covered retiree has increased from \$1,597.40 to \$1677.20.

Effects of New Parameters

Plan sponsors that want to remain qualified for the employer retiree drug subsidy will need to determine if their 2010 prescription drug coverage is at least actuarially equivalent to the 2010 standard Medicare Part D coverage. Those who provide coverage directly or indirectly through a Part D plan may want to review the impact of these new parameters on their plans.

In any event, plan sponsors may want to evaluate whether to move Medicare retirees into other options for medical and/or drug coverage for 2010 as the marketplace continues to develop.

Conclusion

Buck's consultants would be pleased to discuss the Medicare Part D parameters for 2010, and options for providing prescription drug coverage to your Medicare eligible retirees.

This FYI is intended to provide general information. It does not offer legal advice or purport to treat all the issues surrounding any one topic.