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CMS Releases 2019 Medicare Part D Benefit Parameters

The Centers for Medicare & Medicaid Services has released the 2019 Medicare Part D standard benefit parameters and the cost thresholds and limits for qualified retiree prescription drug plans. The standard benefit parameters will increase by approximately 1.5 to 2.5%, with the OOP threshold increasing by 2%. Plan sponsors that want to remain qualified for the employer retiree drug subsidy will have to determine if their 2019 prescription drug coverage is at least actuarially equivalent to the standard Medicare Part D coverage.

Background

Annually, the Centers for Medicare & Medicaid Services (CMS) updates the parameters for the standard Medicare Part D drug benefit to account for increased prescription drug costs. Most Part D benefit parameters are updated using the annual percentage increase in average expenditures for Part D drugs per beneficiary. Certain parameters related to the low-income program are adjusted based on the annual percentage increase in the Consumer Price Index. The parameters include the size of the coverage gap. The Affordable Care Act (ACA) included a provision that phased out the Part D coverage gap or “donut hole” by 2020. The Bipartisan Budget Act of 2018 (BBA of 2018), enacted in February, accelerates the closing of the hole for brand drugs by one year from 2020 to 2019. (See our [February 9, 2018 Legislate](#).)

CMS Call Letter

On April 2, CMS issued a [Call Letter](#) providing the parameters and thresholds for 2019, as well as a [fact sheet](#) that summarizes the Call Letter. CMS also issued a [press release](#) and a [fact sheet](#) on policy changes and updates for Medicare Advantage and the Prescription Drug Benefit Program.



Medicare Part D Parameters

The 2019 parameters (below) were calculated using the annual percentage increase method, and they will increase by approximately 1.5 to 2.5%, with the out-of-pocket (OOP) threshold increasing by 2% in 2019.

Standard Benefit Parameters

	2018	2019
Deductible	\$ 405.00	\$ 415.00
Initial coverage limit	\$ 3,750.00	\$ 3,820.00
Out-of-pocket (OOP) threshold	\$ 5,000.00	\$ 5,100.00
Minimum copay (catastrophic portion of benefit)		
• Generic/preferred drug	\$ 3.35	\$ 3.40
• All other drugs	\$ 8.35	\$ 8.50

Coverage Gap

Under the ACA, the standard Part D benefit includes coverage in the coverage gap (donut hole). Prior to 2011, the standard benefit did not include coverage between the initial coverage limit and the level of spending at which the OOP threshold was met, i.e., where the catastrophic coverage commenced. In 2019, there will be a 63% plan benefit (37% retiree-paid coinsurance) for generic drugs.

The BBA of 2018 made significant changes in the coverage of brand drugs. Starting in 2019, the BBA of 2018 increased the manufacturer brand discount from 50% to 70%. It also reduced the plan benefit to 5%. Effectively, the BBA of 2018 shifted 20% of the cost for brand drugs to the drug manufacturers. The combination of the 5% plan benefit and 70% brand discount results in 25% retiree-paid coinsurance for brand drugs in 2019. That is the same level as coverage for brand drugs before the donut hole and results in the closing of the donut hole for brand drugs in 2019, one year earlier than under prior law. The closing of the donut hole for generic drugs was not affected, and will continue to be closed in 2020.

Sharing Manufacturer Rebates at Point of Sale

In a proposed rule CMS was considering requiring Part D sponsors, including EGWPs, to pass through a portion of manufacturer rebates at the point of sale to plan participants. CMS is not implementing that change for 2019, but will continue to evaluate it in future rulemaking.

Year	Generic Benefit	Brand Benefit	Brand Discount
2018	56%	15%	50%
2019	63%	5%	70%
2020 and after	75%	5%	70%

Retiree Drug Subsidy Amounts

The cost threshold and cost limit for the retiree drug subsidy (RDS) program will also increase in 2019.

	2018	2019
RDS cost threshold	\$ 405.00	\$ 415.00
RDS cost limit	\$ 8,350.00	\$ 8,500.00

For 2019, plan sponsors eligible for the RDS will receive 28% of Part D prescription drug expenses between \$415 and \$8,500. The theoretical maximum potential subsidy per covered retiree will increase from \$2,225 in 2018 to \$2,264 for 2019.

RDS Payment Reduction Due to Budget Sequestration

Sequestration was enacted as part of the Budget Control Act of 2011 (BCA) and refers to mandatory reductions in federal government spending. While some major programs like Social Security and Medicaid are exempt from the cuts, Medicare spending generally was reduced by 2%. This 2% Medicare spending reduction applies to the RDS program ([RDS Q&A](#)).

In 2014, CMS released [guidance](#) detailing the impact of sequestration on RDS payments. The 2% RDS reduction applies to plan months starting April 2013. Under current law, these RDS reductions will apply through 2023. Cost reporting is unaffected by sequestration. Plan sponsors will continue to report cost data by month. The 2% reduction will be applied as part of the reconciliation process, which occurs after the end of the plan year when the plan sponsor finalizes the covered retiree list, submits final cost data, and makes the reconciliation payment request.

Effects of New Parameters

Plan sponsors that want to remain qualified for the employer retiree drug subsidy will have to determine if their 2019 prescription drug coverage is at least actuarially equivalent to the 2019 standard Medicare Part D coverage and should also consider whether to move Medicare retirees into an employer group waiver plan, or EGWP. Plan sponsors that provide coverage directly or indirectly through an EGWP or Part D plan may want to evaluate the impact of the new parameters and provisions on their plans.

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