

# FYI<sup>®</sup>

## For Your Information<sup>®</sup>

### **CMS releases 2021 Medicare Part D benefit parameters**

The Centers for Medicare & Medicaid Services has released the 2021 Medicare Part D standard benefit parameters and the cost thresholds and limits for qualified retiree prescription drug plans. Increases in the standard benefit parameters range from approximately 2.3% to 3.1%. Plan sponsors that want to confirm that their prescription drug coverage is creditable or want to remain qualified for the employer retiree drug subsidy will have to determine if their 2021 prescription drug coverage is at least actuarially equivalent to the standard Medicare Part D coverage.

#### **Background**

Annually, the Centers for Medicare & Medicaid Services (CMS) revise 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 or “donut hole.” The Affordable Care Act (ACA) included a provision that phased out the donut hole by 2020.

#### **CMS call letter**

On April 6, CMS issued a [call letter](#) providing the parameters and thresholds for 2021 as well as a [fact sheet](#) that summarizes the call letter.

#### **Medicare Part D parameters**

The 2021 parameters (below) were calculated using the annual percentage increase method. Increases range from 2.3% to 3.1%.

Volume 43

Issue 35

June 18, 2020

#### **Authors**

Richard Stover, FSA,  
MAAA

Leslye Laderman, JD, LLM

	2021	2020	Change
Deductible	\$445.00	\$435.00	+ 2.3%
Initial coverage limit	\$4,130.00	\$4,020.00	+ 2.7%
Out-of-pocket threshold	\$6,550.00	\$6,350.00	+ 3.1%
Minimum copay (catastrophic portion of benefit)			
• Generic/preferred multi-source drug	\$3.70	\$3.60	+ 2.8%
• All other drugs	\$9.20	\$8.95	+ 2.8%

### Donut hole closed in 2020

Prior to 2011, the standard Part D 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. The ACA included a provision that phased out the Part D coverage gap or “donut hole” by 2020.

### Retiree drug subsidy amounts

The cost threshold and cost limit for the retiree drug subsidy (RDS) program will also increase in 2021.

	2021	2020	Change
RDS cost threshold	\$445.00	\$435.00	+ 2.3%
RDS cost limit	\$9,200.00	\$8,950.00	+ 2.8%

For 2021, plan sponsors eligible for the RDS will receive 28% of Part D prescription drug expenses between \$445 and \$9,200. The theoretical maximum potential subsidy per covered retiree will increase from \$2,384 in 2020 to \$2,451 for 2021.

### Suspension of RDS sequestration

The Budget Control Act of 2011 authorized automatic spending cuts to certain federal programs — a process known as “sequestration.” While some major programs like Social Security and Medicaid were exempt from sequestration, Medicare spending generally was reduced by 2%. This 2% Medicare spending reduction applies to the RDS program ([RDS Q&A](#)).

The CARES Act temporarily suspends sequestration of Medicare programs, including RDS, between May 1, 2020 and December 31, 2020. Thus, the 2% reduction in RDS payments will not apply during this period.

## Effects of new parameters

Plan sponsors that want to confirm that their prescription drug plan provides creditable coverage, or that want to remain qualified for the employer retiree drug subsidy, will have to determine if their 2021 prescription drug coverage is at least actuarially equivalent to the 2021 standard Medicare Part D coverage; those with retiree coverage 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.

### **Produced by the Compliance Consulting Practice**

The Compliance Consulting Practice is responsible for national multi-practice compliance consulting, analysis and publications, government relations, research, training, and knowledge management. For more information, please contact your account executive.

You are welcome to distribute *FYI*® publications in their entirety. To manage your subscriptions, or to sign up to receive our mailings, visit our [Subscription Center](#).

This publication is for information only and does not constitute legal advice; consult with legal, tax and other advisors before applying this information to your specific situation.