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CMS releases 2022 Medicare Part D benefit parameters

The Centers for Medicare & Medicaid Services has released the 2022 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 6.8% to 7.9%. 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 2022 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.

CMS announcement

On January 15, CMS issued an [announcement](#) providing the parameters and thresholds for 2022 as well as a [fact sheet](#) that summarises the announcement.

Medicare Part D parameters

The 2022 parameters (below) were calculated using the annual percentage increase method. Increases range from 6.8% to 7.9%.

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	2022	2021	Change
Deductible	\$480.00	\$445.00	+ 7.9%
Initial coverage limit	\$4,430.00	\$4,130.00	+ 7.3%
Out-of-pocket threshold	\$7,050.00	\$6,550.00	+ 7.6%
Minimum copay (catastrophic portion of benefit)			
• Generic/preferred multi-source drug	\$3.95	\$3.70	+ 6.8%
• All other drugs	\$9.85	\$9.20	+ 7.1%

Retiree drug subsidy amounts

The cost threshold and cost limit for the retiree drug subsidy (RDS) program will also increase in 2022.

	2022	2021	Change
RDS cost threshold	\$480.00	\$445.00	+ 7.9%
RDS cost limit	\$9,850.00	\$9,200.00	+ 7.1%

For 2022, plan sponsors eligible for the RDS will receive 28% of Part D prescription drug expenses between \$480 and \$9,850. The theoretical maximum potential subsidy per covered retiree will increase from \$2,451 in 2021 to \$2,624 for 2022.

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 2022 prescription drug coverage is at least actuarially equivalent to the 2022 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.

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