

# FYI<sup>®</sup>

## For Your Information<sup>®</sup>

### **CMS releases 2024 Medicare Part D benefit parameters**

The Centers for Medicare & Medicaid Services has released the 2024 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 7.9% to 8.1%. Plan sponsors that want to confirm their prescription drug coverage is creditable or want to remain qualified for the employer retiree drug subsidy will have to determine if their 2024 prescription drug coverage is at least actuarially equivalent to the standard Medicare Part D coverage, which may require a closer look this year due to improvements in the Medicare Part D program brought about by the Inflation Reduction Act of 2022.

#### **Background**

Annually, the Centers for Medicare & Medicaid Services (CMS) revises 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 March 31, CMS issued an [announcement](#) providing the parameters and thresholds for 2023 as well as a [fact sheet](#) that summarizes the announcement.

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

The below 2024 parameters were calculated using the annual percentage increase method. Increases range from 7.9% to 8.1%.

Volume 46

Issue 05

May 2, 2023

#### **Authors**

Melissa Maher, CEBS

Patrick Trunzo, JD, MBA

Note that minimum copays are not listed for the catastrophic coverage portion of the benefit for 2024 as the Inflation Reduction Act of 2022 eliminated Part D drug cost sharing in this phase of coverage beginning next year.

	2024	2023	Change
Deductible	\$545.00	\$505.00	+ 7.9%
Initial coverage limit	\$5,030.00	\$4,660.00	+ 7.9%
Out-of-pocket threshold	\$8,000.00	\$7,400.00	+ 8.1%
Minimum copay (catastrophic portion of benefit)			
Generic/preferred multisource drug	Not applicable	\$4.15	N/A
All other drugs	Not applicable	\$10.35	N/A

### Retiree drug subsidy (RDS) amounts

The cost threshold and cost limit for the RDS program will also increase in 2024 as noted below.

	2024	2023	Change
RDS cost threshold	\$545.00	\$505.00	+ 7.9%
RDS cost limit	\$11,200.00	\$10,350.00	+ 8.2%

For 2024, plan sponsors eligible for the RDS will receive 28% of Part D prescription drug expenses between \$545 and \$11,200. Thus, the maximum potential subsidy per covered retiree will increase from \$2,757 for 2023 to \$2,983 for 2024.

### Effects of new parameters

Plan sponsors that want to confirm their prescription drug plan provides creditable coverage, or want to remain qualified for the employer retiree drug subsidy, will have to determine if their 2024 prescription drug coverage is at least actuarially equivalent to the 2024 standard Medicare Part D coverage. Those with retiree coverage should also consider whether to move Medicare retirees into an employer group waiver plan (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 entireties. 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.