

# Part D Payment Modernization Model

## Model Overview

Centers for Medicare & Medicaid Services (CMS) Innovation Center



# CMS Introductions

## **Center for Medicare and Medicaid Innovation**

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# Agenda

- CMS Introductions
- CMMI Statute
- Model Goals
- Model Design Review
- Application Process
- Question and Answer Session

# CMS Innovation Center Statute

The Innovation Center was established by section 1115A of the Social Security Act (as amended by section 3021 of the Affordable Care Act)

“The purpose of the [Center] is to test innovative payment and service delivery models to reduce program expenditures...while preserving or enhancing the quality of care furnished to individuals under such titles”

Three scenarios for success outlined in the Statute:

1. Quality improves and costs are neutral
2. Quality neutral and costs are reduced
3. Quality improves and costs are reduced (best case scenario)

If a model meets one of these three criteria and other statutory prerequisites, the statute allows the Secretary to expand the duration and scope of a model through rulemaking

# Model Goals

- Create new incentives for plans, patients, and providers to choose drugs with lower list prices to better manage catastrophic coverage phase federal reinsurance subsidy spending
- Ensure Medicare beneficiaries are able to maintain affordable access to the prescription drugs that they need

# Model Design Review

# Key Model Design Elements

- Voluntary Model
- Five-year performance period (2020 – 2024)
- Open to eligible Prescription Drug Plans (PDPs) and Medicare Advantage Prescription Drug Plans (MA-PDs) in all states and territories
- All current bid, payment, and reconciliation processes are maintained
- All CMMI models are monitored and receive an independent evaluation

# Key Model Design Elements

- The model allows for a targeted focus on lower Part D prescription drug spending and improved quality and access to Part D covered drugs
  - A retrospective spending target benchmark allows CMS to test the impact of two-sided risk on federal reinsurance subsidy spending
  - New Part D Rewards and Incentives Programs allow CMS to test how plans can better promote improved health outcomes, medication adherence, and the efficient use of health care resources for their enrollees

# Part D Defined Standard Benefit

- The Part D standard benefit consists of four phases:
  - Deductible Phase
  - Initial Coverage Phase
  - Coverage Gap Phase
  - Catastrophic Coverage Phase
- The negotiated price of the medication determines:
  - movement through the different phases of the Part D benefit
  - cost-sharing for non-low-income subsidy (non-LIS) enrollees
- When enrollees reach a set out-of-pocket threshold, they enter the catastrophic coverage phase

# Part D Sponsor Payments

Part D sponsor payments consist of:

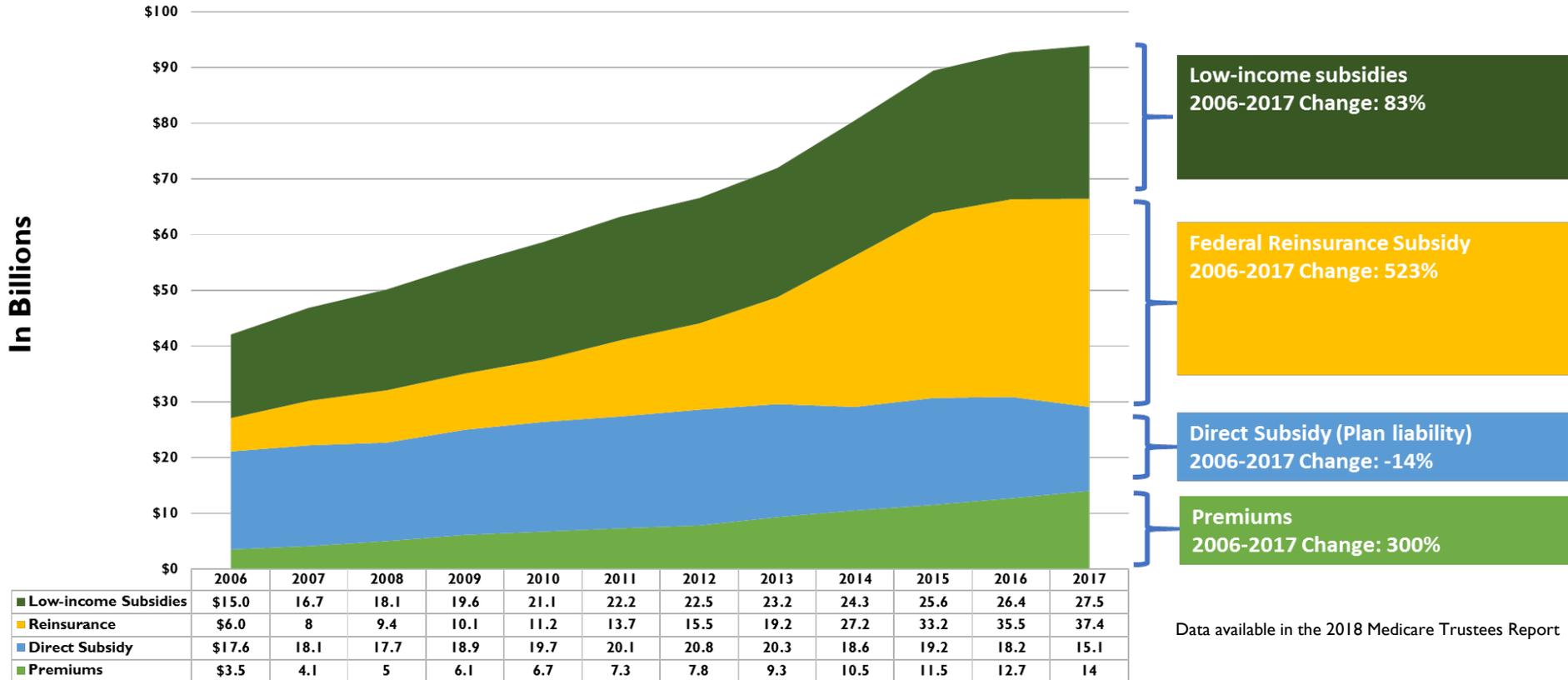
- Enrollee Premiums
- Direct Subsidy (Sponsor Risk):
  - Initial Coverage: 75% of costs (net liability)
  - Coverage Gap: 5% (brand) and 75% (generic) of costs
  - Catastrophic Coverage: 15% of costs (net liability)
- Federal Reinsurance Subsidy (No Sponsor Risk)
  - Catastrophic Coverage: 80% of costs (after any DIR)
- Part D sponsors also receive federal low-income cost-sharing subsidies and low-income premium subsidies, as well as other payments through direct and indirect remuneration (DIR)

# Part D Sponsor Risk Sharing

- Risk Adjustment
- Direct Subsidy Risk Corridors
- Federal Reinsurance Subsidy
  - Federal reinsurance is prospectively bid annually
  - Included in base beneficiary premium calculation
  - CMS fully reconciles federal reinsurance subsidy spending, net of direct and indirect remuneration (DIR)

# Part D Subsidies & Premiums (2006-2017)

Part D Reimbursement Amounts (in \$B)



Data available in the 2018 Medicare Trustees Report

# Model Eligibility

- Eligible: PDP and MA-PD plans, including those that offer standard or alternative Part D coverage, may apply to participate
- Not eligible: Special needs plans, private fee-for-service plans, employer/union only direct contract plans, section 1876 cost contract plans, section 1833 health care prepayment plans, PACE, Medicare-Medicaid plans, and religious fraternal benefit plans
- Part D sponsors will be required to submit all Plan Benefit Packages (PBPs) in the PDP regions for which they are applying for participation
- Medicare Advantage Organizations (MAOs) that apply with an MA-PD must include all of the eligible MA-PD PBPs offered in or across the Part D region(s) that the MA-PD serves

# Spending Target Benchmark

- Intended to represent the amount of federal reinsurance subsidy spending that CMS would have paid model participants, in the absence of the model
- Calculated at an aggregate level for participating organizations
- Calculated separately for PDPs and MA-PDs
- Calculated after the performance year
- Includes necessary benchmark adjustment factors

# Performance-Based Payments or Losses

- Based on performance relative to the spending target benchmark, model participants will be eligible for performance-based payments or will be accountable for losses

Spending Target Benchmark Outcome	%	Result
Losses	Any	10% penalty on the difference
Savings	0% up to 3%	30% of savings
Savings	3%+	50% of savings greater than 3%

# Part D Rewards and Incentives Programs

- CMS is permitting model participants to propose Part D Rewards and Incentives (RI) programs that, in connection with medication use, focus on promoting improved health, medication adherence, and the efficient use of health care resources
- The goals include rewarding and incentivizing enrollees':
  - Participation in a disease state management program
  - Engaging in medication therapy management with pharmacists or providers
  - Receipt of preventive health services, such as vaccines
  - Active engagement with their plans in understanding their medications, including clinically-equivalent alternatives that may be more cost-accessible

# Application Process

# Application Timeline

February 2019	Online Application Portal is opened
March 15, 2019	Model applications due to CMS (11:59 PM EST)
April 2019	Provisionally approved model participants identified
June 3, 2019	CY 2020 bids due
September 2019	Contract addendum for model participants signed

# Application Process and Resources

- The application process will be competitive to preserve the ability of CMS to create an evaluable comparison group
- The Model Request for Applications (RFA) outlines additional specifics on model eligibility, spending target benchmark methodology, and additional programmatic model design elements
- The main source of information is the Model website: <https://innovation.cms.gov/initiatives/part-d-payment-modernization-model/>
- Please email [PartDPaymentModel@cms.hhs.gov](mailto:PartDPaymentModel@cms.hhs.gov) with any questions about this model

Thank you for your interest in CMMI and  
the Part D Payment Modernization Model

Website: <https://innovation.cms.gov/initiatives/part-d-payment-modernization-model/>

Email: [PartDPaymentModel@cms.hhs.gov](mailto:PartDPaymentModel@cms.hhs.gov)

Question and Answer Session