



MEDICARE PART D

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Medicare Part D Overview

Medicare Part D

Medicare Part D is a voluntary outpatient prescription drug benefit for people with Medicare provided through private plans that contract with the federal government. Beneficiaries can choose to enroll in either a stand-alone prescription drug plan (PDP) to supplement traditional Medicare or a Medicare Advantage plan, mainly HMOs and PPOs, that provides all Medicare-covered benefits, including prescription drugs (MA-PD).

In 2023, under a provision in the Inflation Reduction Act, Part D enrollees will pay no more than \$35 per month for covered insulin products in all Part D plans. This new requirement builds on a current Innovation Center model in which only participating enhanced Part D plans cover insulin products at a monthly copayment of \$35 in the deductible, initial coverage, and coverage gap phases of the Part D benefit. In 2023, a total of 2,881 Part D plans will participate in this model, including 324 PDPs and 2,557 MA-PDs. While this model will continue in 2023, beneficiaries will not need to enroll in one of the model-participating plans to benefit from the \$35 monthly copay cap for insulin. Under the new Inflation Reduction Act requirement, all Part D plans do not have to cover all insulin products at the \$35 monthly copayment amount, only those insulin products that are covered on a plan's formulary.



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Medicare Part D Coverage



Part D Coverage

The Part D defined standard benefit has several phases, including a deductible, an initial coverage phase, a coverage gap phase, and catastrophic coverage, although it currently does not have a hard cap on out-of-pocket spending. Between 2022 and 2023, the parameters of the standard benefit are rising, which means Part D enrollees will face higher out-of-pocket costs for the deductible and in the initial coverage phase, as they have in prior years, and will have to pay more out-of-pocket before qualifying for catastrophic coverage.

Part D plans must offer either the defined standard benefit or an alternative equal in value (“actuarially equivalent”) and can also provide enhanced benefits. Both basic and enhanced benefit plans vary in terms of their specific benefit design, coverage, and costs, including deductibles, cost-sharing amounts, utilization management tools (i.e., prior authorization, quantity limits, and step therapy), and formularies (i.e., covered drugs). Plan formularies must include drug classes covering all disease states, and a minimum of two chemically distinct drugs in each class. Part D plans are required to cover all drugs in six so-called “protected” classes: immunosuppressants, antidepressants, antipsychotics, anticonvulsants, antiretrovirals, and antineoplastics.



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Medicare Part D Costs

Part D Costs

- The standard deductible increased from \$480 in 2022 to \$505 in 2023
- The initial coverage limit increased from \$4,430 to \$4,660, and
- The out-of-pocket spending threshold increased from \$7,050 to \$7,400 (equivalent to \$11,206 in total drug spending in 2023, up from \$10,690 in 2022).
- For costs in the coverage gap phase, beneficiaries pay 25% for both brand-name and generic drugs, with manufacturers providing a 70% discount on brands and plans paying the remaining 5% of brand drug costs, and plans paying the remaining 75% of generic drug costs. For total drug costs above the catastrophic threshold, Medicare pays 80%, plans pay 15%, and enrollees pay either 5% of total drug costs or \$4.15/\$10.35 for each generic and brand-name drug, respectively.

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Medicare Part D Enrollment

Part D Enrollment

Enrollment in Medicare Part D plans is voluntary, except for beneficiaries who are eligible for both Medicare and Medicaid and certain other low-income beneficiaries who are automatically enrolled in a PDP if they do not choose a plan on their own.

Unless beneficiaries have drug coverage from another source that is at least as good as standard Part D coverage (“creditable coverage”), they face a penalty equal to 1% of the national average premium for each month they delay enrollment.

Nearly 13 million Part D enrollees receive the Low-Income Subsidy in 2022. Beneficiaries who are dually eligible, QMBs, SLMBs, QIs, and SSI-onlys automatically qualify for the additional assistance, and Medicare automatically enrolls them into PDPs with premiums at or below the regional average (the Low-Income Subsidy benchmark) if they do not choose a plan on their own. Other beneficiaries are subject to both an income and asset test and need to apply for the Low-Income Subsidy through either the Social Security Administration or Medicaid.

Medicare Part D Summary

Medicare Part D, the prescription drug benefit, is the part of Medicare that covers most outpatient prescription drugs. Part D is offered through private companies either as a stand-alone plan, for those enrolled in Original Medicare, or as a set of benefits included with a Medicare Advantage Plan.

Each Part D plan has a list of covered drugs, called its formulary. Some drugs are explicitly excluded from Medicare coverage by law, including drugs used to treat weight loss or gain, and over-the-counter drugs.

Enroll in Medicare Part D for the first time during the Initial Enrollment Period (IEP), the Fall Open Enrollment Period, or a Special Enrollment Period (SEP), if qualified. Additionally, individuals must have Part A and/or Part B and live in the Part D plan's service area.



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