



2025 Changes to the Medicare Part D Benefit

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The Inflation Reduction Act

Inflation Reduction Act

On August 16, 2022, the Inflation Reduction Act (IRA) was signed into law. The act directs new federal spending toward reducing carbon emissions, funding the Internal Revenue Service, improving taxpayer compliance and lowering healthcare costs.

The IRA includes several provisions to lower drug costs for people with Medicare and reduce drug spending by the federal government.

The entire IRA can be located on-line at:
<https://www.congress.gov/bill/117th-congress/house-bill/5376/text>



IRA Timeline for Key Medicare Part D Reforms

Key prescription drug affordability highlights:

2023 – Insulin limited to \$35 for a month's supply and elimination of cost share for adult vaccines recommended by The CDC's Advisory Committee on Immunization Practices (ACIP) .

2024 – Expansion of the Federal Low-Income Subsidy (LIS) or Extra Help Program

2025 - \$2,000 annual cap on prescription costs with the option to pay these costs in monthly installments rather than all at once

Key Part D structural changes:

2024 – Elimination of the five percent coinsurance for Part D catastrophic coverage

2025 – The Manufacturer Discount Program in Medicare Part D will replace the Medicare coverage gap discount program

Reducing drug prices:

Beginning in 2023, drug manufacturers are required to pay a rebate to the federal government if the prices for single-source drugs and biologicals covered under Medicare Part B and nearly all covered drugs under Part D increase faster than the rate of inflation.

Also starting in 2023, Medicare will begin the process of negotiating directly with drug manufacturers to lower the price of some of the costliest single-source brand-name Medicare Part B and Part D drugs

2025 Medicare Part D Benefit Plan Changes

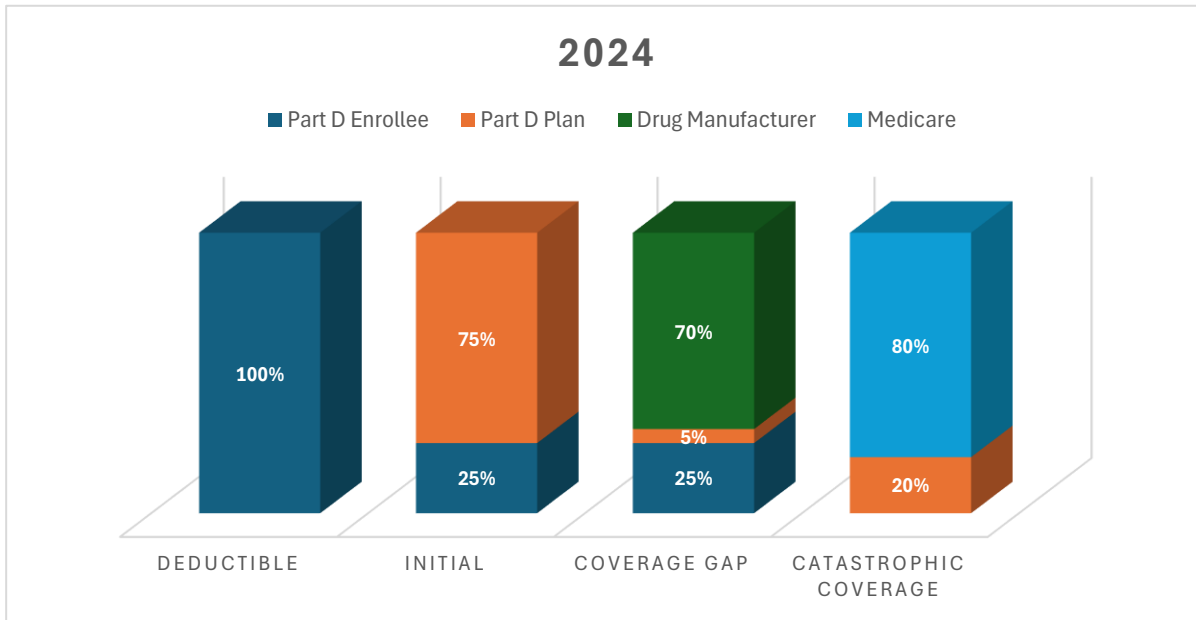
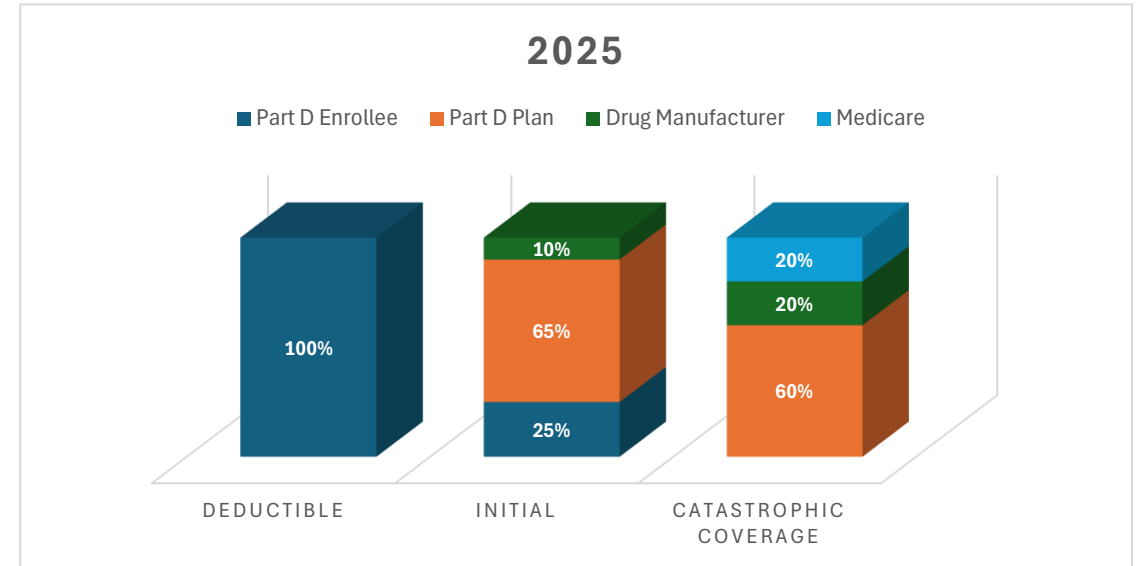
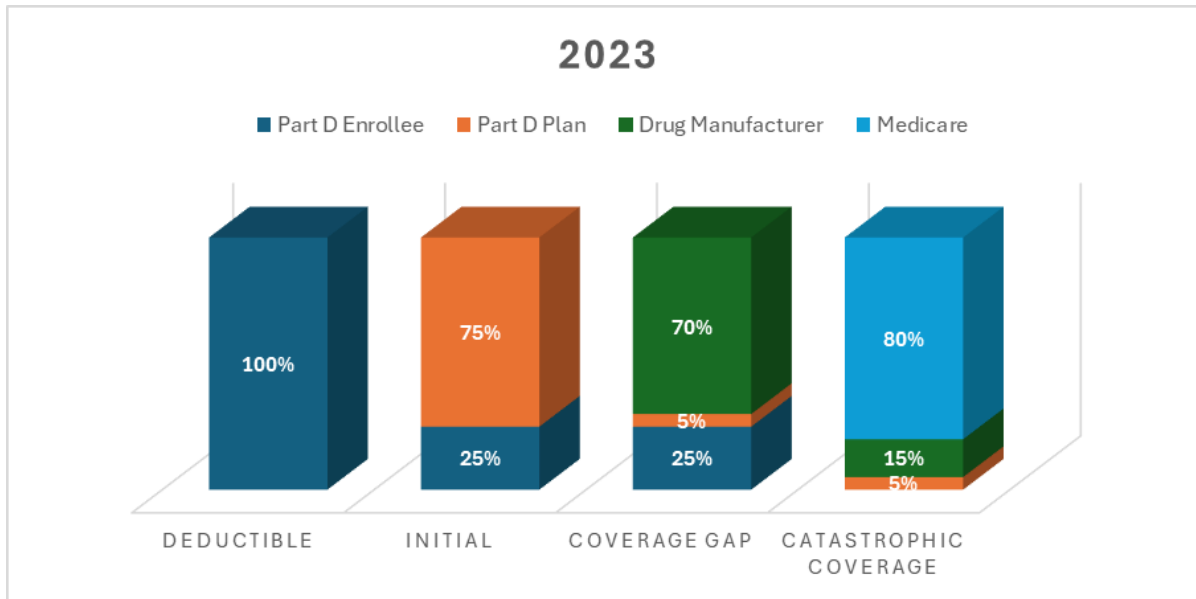
How is Medicare Part D Benefit changing in 2025?

The newly defined standard Part D benefit will consist of three phases:

- **Annual deductible phase**, Part D enrollees pay 100% of their drug costs until the deductible of \$590 is met.
- **Initial coverage phase**, Part D enrollees pay 25% of drug cost, Part D plans pay 65% and drug manufacturers pay 10%. This phase ends when enrollee reaches a total out of pocket threshold of \$2000.
- **Catastrophic coverage phase**, Part D enrollee pays nothing, Part D plan pays 60% of drug costs, drug manufacturers pay 20% of drug costs and Medicare pays the remaining 20% of drug costs.



Elimination of The Coverage Gap



Part D plans and drug manufacturers will pay a larger share of costs for catastrophic coverage, and Medicare will pay a smaller share

- Medicare's share of total costs in the catastrophic phase will decrease from 80% to 20% for brand-name drugs and from 80% to 40% for generic drugs beginning in 2025.
- Medicare Part D plans' share of costs will increase from 15% to 60% for both brands and generics above the cap, and drug manufacturers will be required to provide a 20% price discount on brand-name drugs

Part D plans and manufacturers will face changes to their share of total drug costs paid in the initial coverage phase

- Drug manufacturers will be required to provide a 10% discount on brand-name drugs in the initial coverage phase beginning in 2025, replacing the 70% price discount in the coverage gap phase under the current benefit design.

2025 Part D Explanation of Benefit Changes

Each month that a beneficiary fills a prescription their Medicare Prescription Drug Plan mails them an “Explanation of Benefits” (EOB). This notice gives a summary of the beneficiary’s prescription drug claims and costs. Information is included regarding monthly prescription costs, yearly spending totals for covered Part D drugs and current drug payment stage.

The EOB templates have been updated for 2025 to reflect 2025 IRA changes to the Part D benefit (i.e., cap of \$2,000 on out-of-pocket costs and elimination of coverage gap phase.)

2024 EOB Example:

Example 4: Non-LIS, with a deductible and limited gap coverage, in Catastrophic Coverage

CHART 3

Your current drug payment stage

How much you pay for a covered Part D prescription depends on which payment stage you’re in when you fill it. This chart helps you understand what stage you’re in now and when you’ll move to the next stage.

Year-to-date totals: Jan – March 2024	Stage 1: Yearly Deductible	Stage 2: Initial Coverage	Stage 3: Coverage Gap	You're in Stage 4: Catastrophic Coverage
Out-of-Pocket Costs	<i>lasts until Out-of-Pocket Costs reach</i> \$545	<i>lasts until Total Drug Costs reach</i> \$5,030	<i>lasts until Out-of-Pocket Costs reach</i> \$8,000	\$8,120
Total Drug Costs				\$9,845

You're in Stage 4: Catastrophic Coverage

- During this payment stage, the plan pays all of the cost for your covered drugs.
- You pay nothing.

What happens next?

You generally stay in this stage for the rest of the calendar year.

About Coverage Stages

- **Stage 1: Yearly Deductible**
You start in this payment stage each calendar year. In this stage, you pay the full cost of your drugs. **You generally stay in this stage until you've paid the amount of your deductible (\$545).**
- **Stage 2: Initial Coverage**
In this stage, the plan pays its share of the cost of your drugs and you pay your share of the cost. **You generally stay in this stage until your year-to-date Total Drug Costs reach \$5,030.**
- **Stage 3: Coverage Gap**
In this stage, you pay 25% of the cost of your brand-name drugs and 25% of the cost of your generic drugs. **You generally stay in this stage until your year-to-date Out-of-Pocket Costs reach \$8,000.**
- **Stage 4: Catastrophic Coverage**
In this stage, the plan pays all of the cost for your covered Part D drugs. You pay nothing. **You generally stay in this stage for the rest of the calendar year.**

2025 EOB Example:

Example 1: non-LIS, with a deductible, in the Deductible Stage

CHART 3

Your current drug payment stage

How much you pay for a covered Part D prescription depends on which payment stage you’re in when you fill it. This chart helps you understand what stage you were in at the end of March 2025 and when you’ll move to the next stage.

Year-to-date totals: Jan – March 2024	You're in Stage 1: Yearly Deductible	Stage 2: Initial Coverage	Stage 3: Catastrophic Coverage
Out-of-Pocket Costs	\$255	<i>starts when Out-of-Pocket Costs reach</i> \$545	<i>starts when Out-of-Pocket Costs reach</i> \$2,000

You're in Stage 1: Yearly Deductible

- During this payment stage, you (or others on your behalf) pay the full cost of your drugs.
- You generally stay in this stage until you (or others on your behalf) have paid **\$590 for your drugs**.
- The deductible doesn't apply to covered insulin products and most adult Part D vaccines, including shingles, tetanus and travel vaccines.

What happens next?

Once you (or others on your behalf) have paid an additional **\$335 for your drugs**, you move to the next payment stage (Stage 2: Initial Coverage).

About Coverage Stages

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- **Stage 2: Initial Coverage**
In this stage, the plan pays its share of the cost of your drugs and you pay your share of the cost. **You generally stay in this stage until your year-to-date Out-of-Pocket Costs reach \$2,000.**
- **Stage 4: Catastrophic Coverage**
In this payment stage, you pay nothing for your covered Part D drugs. **You generally stay in this stage for the rest of the calendar year.**

Medicare Prescription Payment Plan (M3P)

Beginning in 2025, the IRA, requires all Medicare prescription plans to offer enrollees the option to pay out-of-pocket prescription drugs in the form of monthly payments over the course of the plan year. Instead of all at once at the pharmacy.

Any Part D enrollee may opt into the program prior to the beginning of a plan year or in any month during the plan year. Program participants may opt out at any point during the plan year.

Program participants will pay \$0 to the pharmacy for covered Part D drugs, and Part D plan sponsors will then bill the program participants monthly for any cost sharing they incur while in the program. Pharmacies will be paid in full by the Part D sponsor.

Calculation of Maximum Monthly Cap in First Month

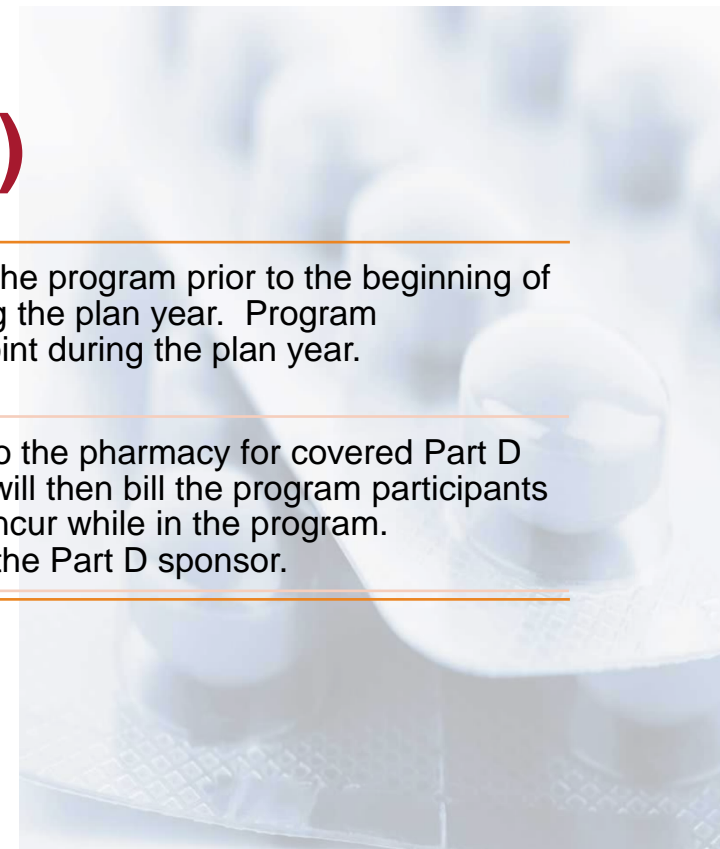
First Month Maximum Cap =

$$\frac{\text{Annual OOP Threshold} - \text{Incurred Costs of the Enrollee}}{\text{Number of Months Remaining in the Plan Year}}$$

Calculation of Maximum Monthly Cap in Subsequent Months

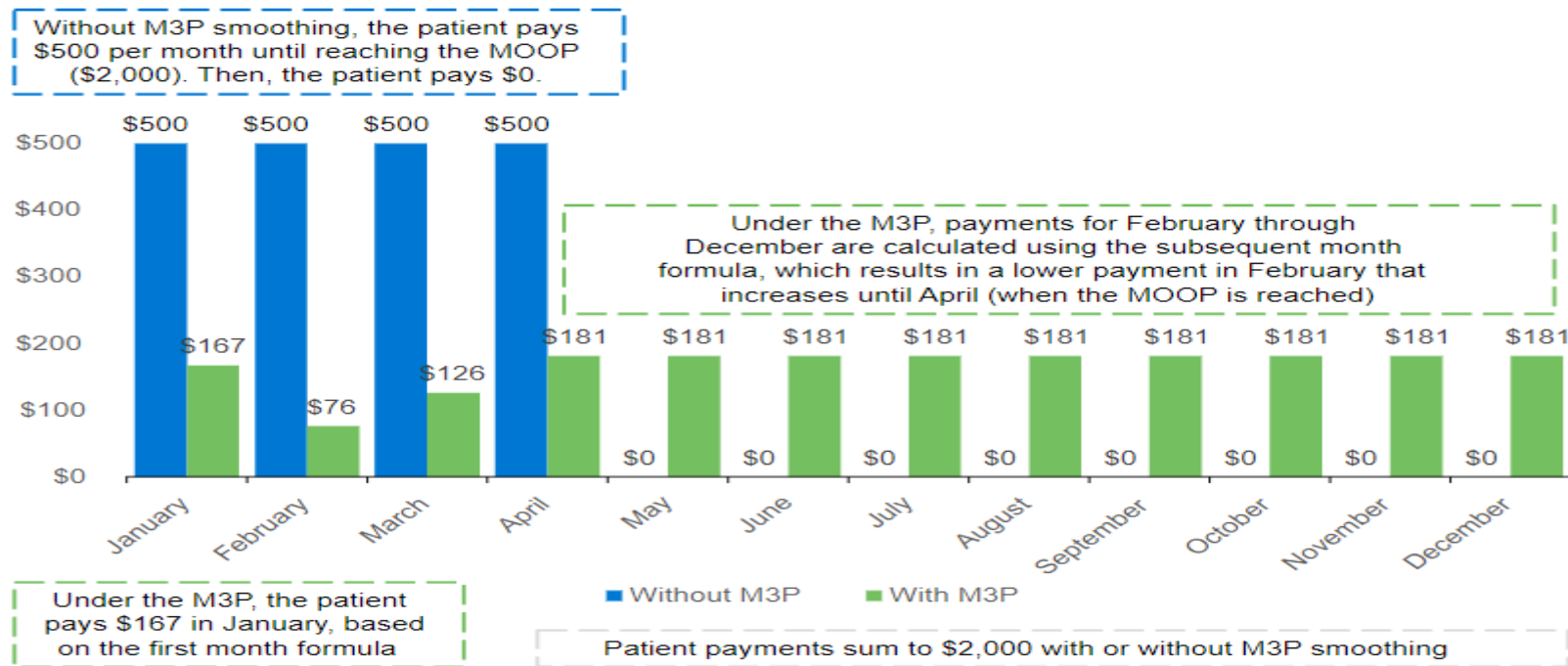
Subsequent Month Maximum Cap =

$$\frac{\text{Sum of Remaining OOP Costs Not Yet Billed to Enrollee} + \text{Additional OOP Costs Incurred by the Enrollee}}{\text{Number of Months Remaining in the Plan Year}}$$



M3P Calculation Example

This example demonstrates how payments would be calculated for a participant with \$500 monthly cost sharing, beginning in January. The member owes \$167 in cost sharing in January (\$2000 - \$0/12 months) based on the first month calculation. Subsequent payments are recalculated in February and later subsequent month calculation, based on their new unpaid balance and remaining months in the year.



Reference: Corrao, B, (Klein) Robb, M. White Paper: Medicare Prescription Payment Plan: What do plan sponsors need to know?. Oct 2, 2023. Milliman Inc. Available online at: <https://www.milliman.com/en/insight/medicare-prescription-payment-plan-for-plan-sponsors>

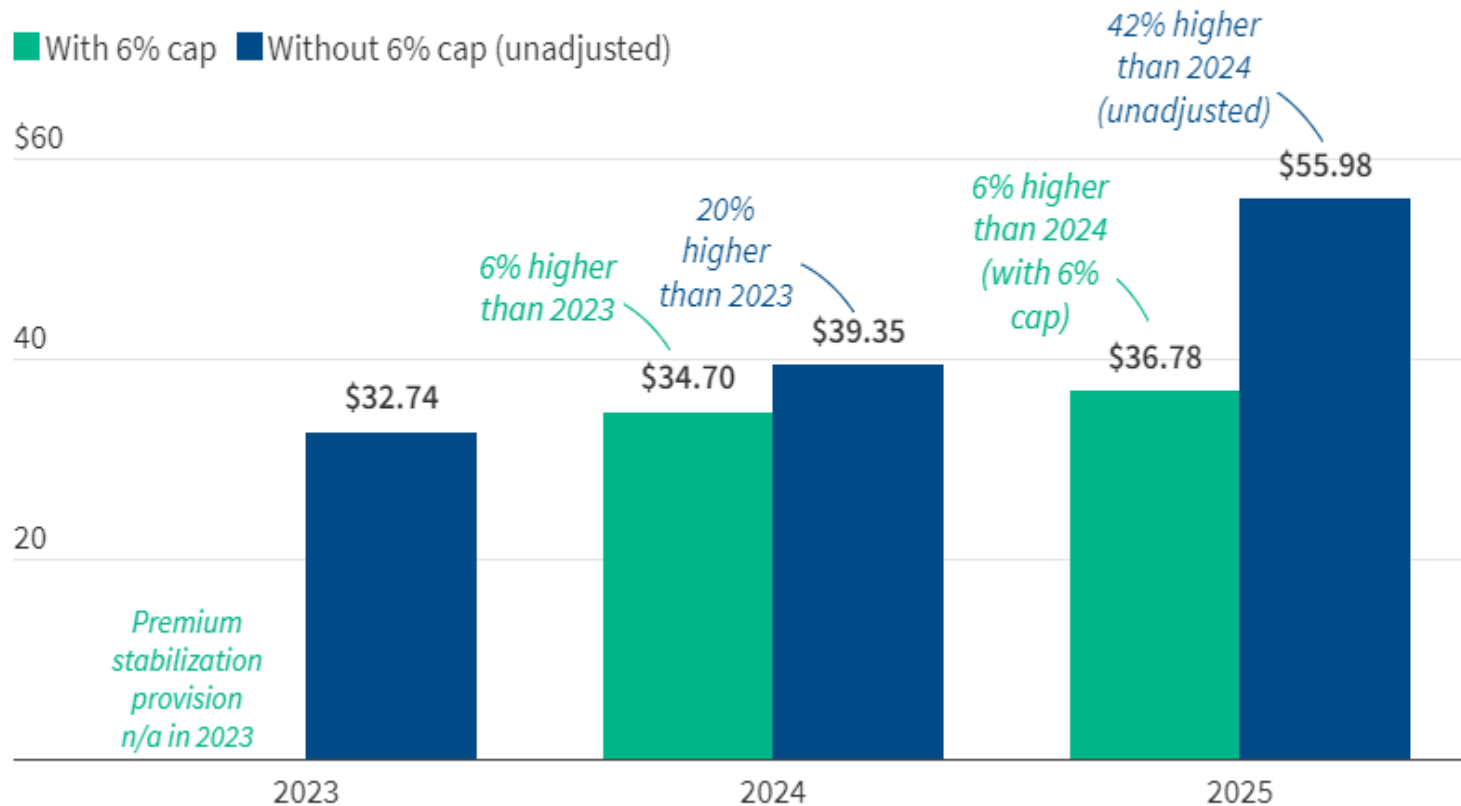
M3P continued

- If a participant fails to pay the amount they are billed by the Part D sponsor, their participation in the program may be terminated following a required two-month grace period. Part D plan sponsors must have a reinstatement process to resume participation in the M3P program in the same plan year.
- Part D Plan Sponsors must include information about this program in currently required Part D communication materials (i.e., websites, in member ID cards or separate mailings, and notices to enrollees). CMS has developed new model and standardized materials to assist Part D plan sponsors in communicating with current and prospective M3P program participants.
- Prior to plan year 2025, Part D plan sponsors will be required to evaluate current Part D enrollees' prescription drug costs from current year and make outreach to those who incurred \$2000 out-of-pocket costs between January 1 and September 30.
- Part D sponsors are required to notify the pharmacy when one of their Part D enrollees incurs out-of-pocket costs for covered Part D drugs that make it likely the individual may benefit from the program. If a Part D enrollee has cost sharing for a single covered Part D drug of \$600 or more and has not already opted into the program, the Part D sponsor will be required to notify the pharmacy to inform the individual about the program. The pharmacy will provide the Part D enrollee with the Medicare Prescription Payment Plan Likely to Benefit Notice, a standardized notice that all Part D sponsors are required to use.

The Medicare Part D Premium Stabilization Provision Limits the Annual Increase in the Base Premium to 6%, Which Helps to Limit Growth in Premiums That Medicare Beneficiaries Pay for Part D Coverage

Medicare Part D base beneficiary premium:

■ With 6% cap ■ Without 6% cap (unadjusted)



Source: Centers for Medicare & Medicaid Services, Parts C & D Announcements, 2022-2024. • [Get the data](#) • [Download PNG](#)

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Impact on Premiums

Starting in 2024, the IRA capped annual growth in the Part D base beneficiary premium at 6%.

Actual premiums for Part D plans available in 2025 will be released in September, as they are every year, just prior to the October 1 start date of marketing for the coming plan year and the open enrollment period that runs from October 15 to December 7.

Updates to Part D Medication Therapy Management Program

2025 Medication Therapy Management (MTM) Program Requirements

- Requires Part D sponsors to target enrollees who have multiple chronic diseases, are taking multiple Part D drugs, and are likely to meet a cost threshold. Methodology for calculating the cost threshold has been updated to correspond with the average annual cost of eight generic drugs (\$1,623 in 2025)
- Sponsors must include all core chronic diseases in their targeting criteria for identifying beneficiaries who have multiple chronic diseases.
- Codifies the nine core chronic diseases and adds HIV/AIDS, for a total of 10 core chronic diseases. Existing core chronic diseases include the following: Alzheimer's disease, bone disease-arthritis, chronic congestive heart failure, diabetes, dyslipidemia, end-stage renal disease, hypertension, mental health and respiratory disease.
- Retains the maximum number of drugs a plan sponsor may require for targeting beneficiaries taking multiple Part D drugs as eight.
- Requires sponsors to include all Part D maintenance drugs in their targeting criteria.
- Sponsors will not be permitted to limit the Part D maintenance drugs included in MTM targeting criteria to specific Part D maintenance drugs or drug classes.

2025 Measurement Year and 2027 Star Ratings Updates

Medicare Part D Star Measure Updates

- Medication Therapy Management (MTM) Program Completion Rate for Comprehensive Medication Review (CMR) (Part D): Due to the changes in the MTM program eligibility, moves the measure to the display page for at least two years before adding it to the Star Ratings.
- Adds Concurrent Use of Opioids and Benzodiazepines (COB) and Polypharmacy Use of Multiple Anticholinergic Medications in Older Adults (Poly-ACH). Poly-CNS measure is a clinically relevant measure for the Part D population, we will retain this measure on the display page.



Reducing Pharmaceutical Prices

Medicare Drug Price Negotiation Program

The IRA will allow for Medicare to negotiate the price of prescription drugs. For the first year of the negotiation program (2023), 10 Part D, high expenditure, single source drugs will be selected for negotiation. The maximum fair prices for the drugs will apply beginning in the initial price applicability year 2026. An additional 15 Part D drugs will be selected for negotiation for initial price applicability in 2027, 15 Part B or Part D drugs for initial price applicability year 2028, 20 Part B or D drugs for initial price applicability year 2029 and subsequent initial price applicability years.

MEDICARE DRUG PRICE NEGOTIATION PROGRAM

CENTERS FOR MEDICARE & MEDICAID SERVICES

Figure 1

Medicare Drug Price Negotiation Timeline for 2026 & 2027



SOURCE: KFF analysis of section 11001 of the Inflation Reduction Act of 2022.

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Figure 1: Medicare Drug Price Negotiation Timeline for 2026 & 2027

Reference: Cubanski J, Neuman T, Freed M., Explaining the Prescription Drug Provisions in the Inflation Reduction Act, KFF, Jan 24, 2023, <https://www.kff.org/medicare/issue-brief/explaining-the-prescription-drug-provisions-in-the-inflation-reduction-act/#bullet02>, Accessed Aug 10, 2023

First Ten Drugs Selected for Medicare Price Negotiation

Drug Name	Commonly Treated Conditions	Total Part D Gross Covered Prescription Drug Costs from June 2022-May 2023	Number of Medicare Part D Enrollees Who Used the Drug from June 2022-May 2023	Average Part D Covered Prescription Drug Costs Per Enrollee
Eliquis	Prevention and treatment of blood clots	\$16,482,621,000	3,706,000	\$4,448
Jardiance	Diabetes; Heart failure	\$7,057,707,000	1,573,000	\$4,487
Xarelto	Prevention and treatment of blood clots; Reduction of risk for patients with coronary or peripheral artery disease	\$6,031,393,000	1,337,000	\$4,511
Januvia	Diabetes	\$4,087,081,000	869,000	\$4,703
Farxiga	Diabetes; Heart failure; Chronic kidney disease	\$3,268,329,000	799,000	\$4,091
Entresto	Heart failure	\$2,884,877,000	587,000	\$4,915
Enbrel	Rheumatoid arthritis; Psoriasis; Psoriatic arthritis	\$2,791,105,000	48,000	\$58,148
Imbruvica	Blood cancers	\$2,663,560,000	20,000	\$133,178
Stelara	Psoriasis; Psoriatic arthritis; Crohn's disease; Ulcerative colitis	\$2,638,929,000	22,000	\$119,951
Fiasp; Fiasp FlexTouch; Fiasp PenFill; NovoLog; NovoLog FlexPen; NovoLog PenFill	Diabetes	\$2,576,586,000	777,000	\$3,316

CMS, <https://www.cms.gov/files/document/fact-sheet-medicare-selected-drug-negotiation-list-ipay-2026.pdf>

Thank You!

Questions?