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Preparing for Big Medicare Plan Design Changes: How Advocates Can Inform the Process

We are currently in the middle of Medicare's annual open enrollment period, which runs from October 15 through December 7 every year. As individuals and assisters assess their Medicare options for 2024 coverage, it is a good time to walk through some significant changes that will affect Medicare drug coverage over the coming years. The Inflation Reduction Act (IRA) included several protections to Medicare Part D – the Medicare benefit that covers prescription drugs – more affordable. While some protections are already in place, some of the bigger provisions with the most impact on patient access and affordability will go into effect over the next several years.

Medicare Part D Reforms

The IRA's Medicare prescription drug protections are aimed at reducing financial barriers to medication access, particularly for beneficiaries who rely on high-cost medications.

Extra Help Expansion

Medicare Part D includes the "Extra Help" program, also known as a Low-Income Subsidy (LIS) to help low-income Medicare beneficiaries afford their drug coverage. If individuals meet income and asset tests, they can qualify for zero premium Part D plans and lower cost sharing for their prescription drugs.

Medicare Prescription Drug Coverage

Medicare Part D covers prescription drugs for Medicare beneficiaries. The benefit is provided through privately operated Part D plans that consumers must select and enroll in. These plans differ in the drugs they cover as well as the tiering and cost sharing for covered drugs.

Some people may get their drug coverage through a prescription drug component of a Medicare Advantage plan (also known as a Medicare Part C plan), which also provides Medicare Part A and B services through a private insurance plan.

Starting in January 2024, the IRA expands eligibility for Extra Help. Under current rules, for those who are not dually eligible for both Medicaid and Medicare, individuals with income up to 135% FPL are eligible for the full Extra Help subsidies, while individuals up to 150% FPL are only eligible for some of the subsidies (there are asset tests for eligibility). Starting in January, for non-dual eligible individuals, the full subsidy is available to anyone with income below 150% FPL (who also meet the asset test), meaning that anyone previously eligible for only partial Extra Help will be now eligible for more comprehensive coverage through the full LIS program.

Even under current rules, the Extra Help program is vastly underutilized. Already, up to 3 million seniors and people with disabilities who could benefit from the Extra Help program are not currently enrolled. The Extra Help expansion can help make prescription drugs more affordable to vulnerable patients, but only if people know about the program and understand that they are eligible.

Out-of-Pocket Caps

The IRA works to limit the out-of-pocket costs for beneficiaries over the next couple of years.

Under current Medicare Part D plan design rules, beneficiaries have different cost sharing throughout the year. Right now, a consumer who hits the catastrophic coverage threshold, about $3,100 in individual spending, must pay 5% of the cost of their drugs for the rest of the year. This current plan design can mean that cancer patients have to spend between $8,000-$12,000 to cover their medications over the course of a year.

The IRA tries to solve this affordability problem in a few ways. First, in January 2024, the IRA eliminates the 5% coinsurance requirement that beneficiaries have to pay after they hit the catastrophic phase of coverage, meaning that the most an individual will spend out-of-pocket in a plan year will be $3,250. Then in 2025, an even more significant cost-sharing protection goes into effect. Starting that year, Part D plans must have a $2,000 out-of-pocket maximum. This means that once a consumer reaches $2,000 in cost sharing, they will pay $0 in prescription drug cost sharing for the rest of the year.

Smoothing Mechanism

Starting in 2025, the IRA allows Medicare beneficiaries to "smooth" their prescription drug costs over the course of a plan year by allowing beneficiaries to pay equal installments for their medication cost sharing over 12 months. Without smoothing, individuals who rely on high-cost drugs often incur high out-of-pocket costs in the early months of the year as they move through the deductible and coverage phases of Medicare prescription drug coverage. Smoothing may be the most revolutionary change in the IRA from a beneficiary's perspective.

CMS is implementing this smoothing protection through a new Medicare Prescription Payment Plan (MPPP) operated by Medicare drug plans. Once a beneficiary opts into the MPPP (via their Medicare drug plan or at the pharmacy) and decides to smooth their drug costs into equal installments, the Medicare drug plan calculates the monthly amount the individual will pay for the drug based on the cost sharing for the drug, the new $2,000 out-of-pocket maximum, and the number of months remaining in the plan year. A beneficiary enrolled in the MPPP will pay the monthly installment amount directly to the plan and will pay $0 at the pharmacy when they pick up their medications.

An example is provided below using a direct acting antiviral (DAA) used to treat hepatitis C. In each scenario our patient, Jane, will end up spending the $2,000 maximum out-of-pocket payment for this three-month treatment. Without smoothing, Jane would have to pay the full $2,000 in the first month—money she might not have. With smoothing, Jane will pay $2,000 over the course of the year, meaning each month she will only have to pay $86.42—much more managable.

Month	OOP costs incurred	Monthly MPPP payment for consumer
January	$2,000 (OOP max reached)	$86.42
February	$0	$86.42
March	$0	$86.42
April	$0	$86.42
May	$0	$86.42
June	$0	$86.42
July	$0	$86.42
August	$0	$86.42
September	$0	$86.42
October	$0	$86.42
November	$0	$86.42
December	$0	$86.42

Smoothing allows the beneficiary—who may be living on lower, fixed monthly income—to avoid having to shoulder large expenses for their DAA during the first few months of the year. This can be incredibly helpful to low-income patients who might otherwise find covered drugs out of reach due to high coinsurance and copayment requirements.

What Happens Next?

While the expansion of Extra Help is ready to be implemented starting in a few months, there are still implementation decisions about how the smoothing mechanism and out-of-pocket maximum provisions will roll out. Advocates should keep an eye out for comment opportunities to help shape implementation of these important programs. Advocates representing individuals who depend on high-cost drugs may want to focus on the following areas:

- **Building awareness of these Part D Changes.** The Centers for Medicare and Medicaid Services (CMS), the agency that oversees the Medicare program, is working to publicize the new Extra Help expansion during the current Medicare open enrollment period (which runs from October 15 through December 7, 2023). Advocates should review the resources and activities planned by CMS to publicize the Part D changes, and make sure to pass on opportunities to members of their communities.

- **Promoting an effective smoothing mechanism.** The proposed program for the smoothing mechanism is incredibly complex. Medicare beneficiaries need to be aware of the option to enroll in the MPPP and opt in to activate it. It is critical that CMS invest in consumer education activities, including updates to the Medicare Plan Finder tool. CMS has released some guidance with opportunity for public comment on the MPPP and is expected to roll out more over the coming months. Advocates should weigh in early and often to ensure that the process is made as simple as possible for consumers.

- **Identifying potential pitfalls and ensuring protections for consumers.** The IRA allows Part D plans to disenroll members from the MPPP for failing to make their payments under the smoothing options (Part D plans may not, however, disenroll individuals from the plan altogether). Given the complexity of the program, there should be guardrails that protect consumers from disenrollment or disruptions in medication access for failing to follow the MPPP payment rules, especially in the first years the program is operating.

The IRA's Medicare prescription drug protection provisions represent massive changes to the program. These changes are projected to save Medicare beneficiaries a significant amount of money each year and help put high-cost drugs within reach of all. However, as with any federal law, the devil will be in the details, and it will be important for advocates help inform implementation and roll out activities.

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