DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850

CENTER FOR MEDICARE

DATE: July 29, 2022

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

FROM: Meena Seshamani, MD, PhD
Director, Center for Medicare

SUBJECT: Annual Release of Part D National Average Bid Amount and Other Part C & D Bid Information

CMS is announcing today that the Part D national average monthly bid amount for 2023 is $34.71, the 2023 Part D base beneficiary premium is $32.74, and the *de minimis* amount is $2.00. Please see the attached notice for more detailed information concerning the 2023 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, the Medicare Advantage (MA) regional PPO benchmarks, and MA employer group waiver plan (EGWP) regional payment rates.

Detailed information regarding the *de minimis* amount is attached in a separate memo. The memo contains instructions and a timeline for completing rebate reallocation and volunteering to waive the *de minimis* amount. Plans will have from Friday, July 29, 2022 until 11:59 PM Pacific Daylight Time on Friday, August 5, 2022 to complete rebate reallocation. Note that bids may be resubmitted for rebate reallocation multiple times prior to this deadline. Furthermore, plans will have from Friday, August 5, 2022 until 11:59 PM Pacific Daylight Time on Friday, August 12, 2022 to inform CMS of their intent to participate in the voluntary *de minimis* program.

DEPARTMENT OF HEALTH AND HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard, Mail Stop N3-26-00
Baltimore, MD 21244

OFFICE OF THE ACTUARY

DATE: July 29, 2022

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

SUBJECT: Annual Release of Part D National Average Monthly Bid Amount and other Part C & D Bid Related Information

Today we are releasing the 2023 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, the Medicare Advantage regional PPO benchmarks, and the Medicare Advantage employer group waiver plan (EGWP) regional payment rates.

Below we describe the determination of these amounts. The regional low-income premium subsidy amounts and the regional MA benchmarks can be downloaded from the CMS web site at: https://www.cms.gov/files/document/regional-rates-and-benchmarks-2023.pdf.

Part D National Average Monthly Bid Amount

CMS has calculated the national average monthly bid amount for 2023 in accordance with section 1860D-13(a)(4) of the Social Security Act ("the Act"), codified in 42 CFR §423.279. For each coverage year, CMS computes the national average monthly bid amount from the applicable Part D plan bid submissions in order to calculate the base beneficiary premium, as provided in 42 CFR §423.286(c).

The national average monthly bid amount is a weighted average of the standardized bid amounts for each stand-alone prescription drug plan and MA-PD plan described in section 1851(a)(2)(A)(i) of the Act. The weights are based on the number of enrollees in each plan. The weight for each plan bid is a percentage calculated with the numerator equal to the number of Part D eligible individuals enrolled in the plan in the reference month (as defined in 42 CFR §422.258(c)(1)) and the denominator equal to the total number of Part D eligible individuals enrolled in the reference month in all applicable Part D plans. Per section 1860D-13(a)(4)(A) of the Act, the calculation does not include bids submitted by MSA plans, MA private fee-for-service plans, specialized MA plans for special needs individuals, PACE programs under section 1894, any "fallback" prescription drug plans, and plans established through reasonable cost reimbursement contracts under section 1876(h) of the Act. The reference month for the 2023 calculation was June 2022.

The national average monthly bid amount for 2023 is $34.71.

Part D Base Beneficiary Premium

The base beneficiary premium is equal to the product of the beneficiary premium percentage and the national average monthly bid amount. The beneficiary premium percentage ("applicable percentage") is a fraction, with a numerator of 25.5 percent and a denominator equal to 100 percent minus a percentage equal to (i) the total reinsurance payments that CMS estimates will be paid for the coverage year, divided by (ii) that amount plus the total payments that CMS estimates will be paid to Part D plans based on the standardized bid amount during the year, taking into account amounts paid by both CMS and plan enrollees.

In accordance with section 1860D-13(a) of the Act, codified in 42 CFR §423.286, Part D beneficiary premiums are calculated as the base beneficiary premium adjusted by the following factors: (i) the difference between the plan's standardized bid amount and the national average monthly bid amount; (ii) an increase for any supplemental premium; (iii) an increase for any late enrollment penalty; (iv) a decrease for Medicare Advantage Prescription Drug Plans (MA-PDs) that apply MA A/B rebates to buy down the Part D premium; and (v) elimination or decrease with the application of the low-income premium subsidy.

The Part D base beneficiary premium for 2023 is $32.74.[1]

Part D Regional Low-Income Premium Subsidy Amounts

In accordance with 42 CFR §423.780, full low-income subsidy (LIS) individuals are entitled to a premium subsidy equal to 100 percent of the premium subsidy amount. A Part D plan's premium subsidy amount is the lesser of the plan's premium for basic coverage or the regional low-income premium subsidy amount (LIPSA).

The regional LIPSAs are the greater of the low-income benchmark premium amount for a PDP region or the lowest monthly beneficiary premium for a prescription drug plan that offers basic prescription drug coverage in the PDP region. In accordance with section 1860D-14 of the Act and the final rule "Modification to the Weighting Methodology Used to Calculate the Low-Income Benchmark Amount," published in the Federal Register (73 FR 18176) on April 3, 2008, the low-income benchmark premium amount for a PDP region is a weighted average of the monthly beneficiary premiums for basic prescription drug coverage in the region. The weight for each PDP and MA-PD plan is a percentage calculated with the numerator equal to the number of Part D LIS-eligible individuals enrolled in the plan in the reference month and the denominator equal to the total number of Part D LIS-eligible individuals enrolled in all PDP and MA-PD plans in a Part D region in the reference month.

The Patient Protection and Affordable Care Act amends the statute governing the calculation of the LIS benchmark premium amount (see section 3302, as amended by section 1102 of the Health Care and Education Reconciliation Act of 2010). As amended, section 1860D-14(b)(3)(B)(iii) of the Act requires the calculation of the weighted average premium amounts

[1] As noted above, the actual Part D premiums paid by individual beneficiaries equal the base beneficiary premium adjusted by a number of factors. In practice, premiums vary significantly from one Part D plan to another and seldom equal the base beneficiary premium.

described above using MA-PD basic Part D premiums before the application of Part C rebates each year.

The calculation does not include bids submitted by MA private fee-for-service plans, PACE programs under section 1894, "800 series" plans, and contracts under reasonable cost reimbursement contracts under section 1876(h) of the Act ("Cost Plans"). The reference month for the 2023 calculation was June 2022.

The regional low-income premium subsidy amounts are provided in the file Regional Rates and Benchmarks 2023, which can be accessed on the CMS website through the following link: https://www.cms.gov/files/document/regional-rates-and-benchmarks-2023.pdf.

MA Regional PPO Benchmarks

Per section 1858(f)(2) of the Act, the standardized PPO benchmark for each MA region is a blend of two components: (i) a statutory component consisting of the weighted average of the county capitation rates across the region for each appropriate level of star rating; and (ii) a competitive, or plan-bid, component consisting of the weighted average of all of the standardized A/B bids for regional MA PPO plans in the region. (Such regional MA plan bids relate to the benefits covered under Parts A and B of Medicare.) The two components are then blended for each region, with the statutory component reflecting the national market share of traditional Medicare and the regional MA plan-bid component reflecting the market share of all MA organizations in the Medicare population nationally. In other words, the weights used to combine the statutory and competitive components of the benchmark are the same for all regions and are equal to the national enrollment percentages for traditional Medicare and all MA plans. For 2023, the national weights applied to the statutory and plan-bid components are 53.3 percent and 46.7 percent, respectively.

The separate weighted-average statutory component and weighted-average competitive component in each region are determined based on the following weights:

- The weighting for the statutory component is based on all MA eligible individuals in the region—i.e., all Medicare beneficiaries who are either in the traditional, fee-for-service Medicare program or enrolled in MA plans and who are entitled to benefits under Part A and enrolled in Part B.

- The weighting for the plan-bid component is based on the enrollment in regional MA plans in the region for the reference month of June 2022. (That is, the weight for each plan's bid is based on the plan's market share in the region.)

As stated in the *Advance Notice of Methodological Changes for Calendar Year 2023 for Medicare Advantage Capitation Rates, Part C and Part D Payment Policies* ("2023 Advance Notice") and *Announcement of Calendar Year 2023 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies* ("2023 Rate Announcement"), these benchmarks reflect the average bid component of the regional benchmark excluding EGWPs. The statutory and plan-bid components of the MA regional standardized benchmarks for 19 of

the 26 MA regions[2] are in the file Regional Rates and Benchmarks 2023, which can be accessed on the CMS website through the following link: https://www.cms.gov/files/document/regional-rates-and-benchmarks-2023.pdf.

MA Regional EGWP Payment Rates

In accordance with the payment methodology finalized in the 2023 Rate Announcement, the 2023 EGWP Regional payment rates are being released concurrently with this 2023 MA Regional benchmark release. For detailed descriptions of the payment policy finalized for 2023, please refer to the 2023 Advance Notice and 2023 Rate Announcement: https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Announcements-and-Documents.html.

The payment rates for Regional EGWPs are in the file Regional Rates and Benchmarks 2023, which can be accessed on the CMS website through the following link: https://www.cms.gov/files/zip/2023-regional-ppo-egwp-rates.zip.

/s/
Jennifer Lazio, F.S.A., M.A.A.A.
Director, Parts C & D Actuarial Group
Office of the Actuary

[2] In the remaining 7 MA regions, there are no regional MA plans.

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850

MEDICARE PLAN PAYMENT GROUP

DATE: July 29, 2022

TO: All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

FROM: Jennifer R. Shapiro, Director, Medicare Plan Payment Group

SUBJECT: Release of the *De Minimis* Amount and Operational Guidance

In this memo CMS is releasing information regarding the *de minimis* amount as well as instructions and a timeline for volunteering to waive the *de minimis* amount and completing rebate reallocation. Plans will have from Friday, July 29, 2022 until 11:59 PM Pacific Daylight Time on Friday August 5, 2022 to complete rebate reallocation. Starting Friday, August 5, 2022 until 11:59 PM Pacific Daylight Time on Friday, August 12, 2022, plans can inform CMS of their intent to participate in the *de minimis* program.

De Minimis Amount

Under the Affordable Care Act (ACA) §3303(a), a prescription drug plan (PDP) or Medicare Advantage plan with prescription drug coverage (MA-PD) may volunteer to waive the portion of the monthly adjusted basic beneficiary premium that is a *de minimis* amount above the low-income subsidy (LIS) benchmark for a subsidy eligible individual. The law prohibits CMS from reassigning LIS members from plans who volunteered to waive the *de minimis* amount.

The *de minimis* amount for 2023 will be $2.

Operational Considerations

Rebate Reallocation - Action by 11:59 PM PDT on Friday, August 5, 2022

Plan-specific information, such as plan standardized bid amounts, plan-specific premiums, and MA rebate dollars used, can be found at the following path in HPMS:

HPMS Home > Plan Bids > Bid Submission > CY 2023 > Review Plan Data > Review Plan Data

After reviewing the plan-specific information in HPMS, some bids may need to be resubmitted to adjust the MA rebate dollars in the Bid Pricing Tool (BPT). Local MA-only plans (which do not offer Part D) and PDPs (which do not have MA rebates) cannot resubmit their bids during the rebate reallocation period. In the instances when an MA-PD allocates all of its MA rebates to

buy down the Part D basic premium, and the plan's intended target for its Part D basic premium is the low-income premium subsidy amount, the MA-PD may volunteer to use the *de minimis* premium policy.

Guidance on rebate reallocation and premium rounding can be found in Appendix E of the Instructions for Completing the Medicare Advantage Bid Pricing Tool for Contract Year 2023. Changes to the Bid Pricing Tool must be in accordance with the guidance contained in Appendix E.

You will have until 11:59 PM PDT on Friday, August 5, 2022 to complete any resubmissions.

If resubmitting, the Part D bid pricing tools must reflect the final benchmarks released earlier in this announcement. No pricing changes will be accepted to the Part D bid forms.

As a reminder, CMS expects MA organizations to submit CY 2023 plan bids that satisfy our requirements, including but not limited to service category cost sharing, per member per month actuarial equivalence, Total Beneficiary Cost (TBC), and meaningful difference. CMS will not approve plan bids that do not satisfy our requirements.

A "final" actuarial certification must be submitted by all plans. A separate announcement will be released regarding the submission of final actuarial certifications.

If you have questions about this information, please submit them to actuarial-bids@cms.hhs.gov.

If you have technical questions about your resubmissions, please contact the HPMS Help Desk at 1-800-220-2028 or hpms@cms.hhs.gov.

Volunteering to Waive the De Minimis Amount - Action by 11:59 PM PDT on Friday, August 12, 2022

Eligible plans must actively inform CMS of their intent to participate in the *de minimis* program. Plans can inform CMS of their intent to participate starting Friday, August 5, 2022, until 11:59 PM PDT on Friday, August 12, 2022.

The mechanism to volunteer for *de minimis* can be found at the following path in HPMS:

HPMS Home > Plan Bids > Bid Submission > CY 2023 > Review Plan Data > Voluntary De Minimis

The 'Voluntary de minimis' link will be available at the left navigation bar. The default value will be unchecked (i.e., "No"), so eligible plans must select the checkbox to indicate that they want to volunteer to participate.

Please send any questions about *de minimis* to PartDPaymentPolicy@cms.hhs.gov.