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TO: All Medicare Advantage Organizations and Part D Plan Sponsors

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SUBJECT: Contract Year 2025 Bid Review Out-of-Pocket Cost (OOPC) Models

The purpose of this memorandum is to announce that the Contract Year (CY) 2025 Bid Review Out-of-Pocket Cost (OOPC) Models will be available on the [CMS.gov website](https://www.cms.gov) on or about April 16, 2024. The CY 2025 Bid Review OOPC Models for Part C and Part D allow stand-alone Prescription Drug Plans (PDPs) and Medicare Advantage Organizations (MAOs) to calculate OOPC values for each of their plan offerings for CY 2025.

Please refer to the information set forth in the February 1, 2024 [HPMS memorandum](#) titled, “Contract Year (CY) 2025 Final Part D Bidding Instructions” and the forthcoming HPMS memorandum titled “Final Contract Year 2024 Standards for Part C Benefits, Bid Review, and Evaluation” for information about how these OOPC models are used in CMS bid review activities. MAOs will need to calculate their Part C and Part D OOPC values separately and then combine them to arrive at their total OOPC value. As in the past, all MA plans (including those that do not include a Part D benefit) will have a Part C and a Part D OOPC value for bid review purposes.

Part D Inflation Reduction Act (IRA) Provisions for CY 2025

Please refer to the February 1, 2024 [HPMS memorandum](#) titled, “Contract Year (CY) 2025 Final Part D Bidding Instructions” and the April 1, 2024 [HPMS memorandum](#) titled, “Final CY 2025 Part D Redesign Program Instructions” for program instructions for implementation of Part D IRA provisions effective for CY 2025. The CY 2025 Part D Bid Review OOPC model includes the following updates:

1. Beginning in CY 2025, the coverage gap phase will be eliminated, and Part D prescription drug coverage will consist of a three-phase benefit (deductible, initial coverage, and catastrophic phases). As such, there will be no initial coverage limit

(ICL), and the initial coverage phase (ICP) will extend to the maximum annual out-of-pocket (OOP) threshold, at which point the catastrophic phase will begin.

2. The CY 2025 Bid Review Part D OOPC Model will incorporate functionality for Part D sponsors to run the formulary tied to any plan through a Defined Standard (DS) benefit design. This will assist Part D sponsors in meeting the enhanced alternative (EA) benefit design requirements, and PDPs in meeting meaningful difference requirements. *See Sections 120 and 130 in the [HPMS memorandum](#) released April 1, 2024 titled, “Final CY 2025 Part D Redesign Program Instructions.”*
3. Prior to CY 2025, the OOPC model utilized estimated total gross covered drug cost accumulation for applicable beneficiaries to move the beneficiary through the phases of the benefit. In CY 2025, with the implementation of the Part D redesign provisions, the OOPC model will transition to the use of True-Out-Of-Pocket Costs (TrOOP) to determine when the beneficiary progresses through the phases of the benefit.
4. The IRA makes changes to which costs count toward TrOOP, amending the definition of incurred costs to include costs incurred by covered Part D drugs that are reimbursed through insurance or a group health plan, excluding basic prescription drug coverage. *See Sections 30 and 40 in the [HPMS memorandum](#) released April 1, 2024 titled, “Final CY 2025 Part D Redesign Program Instructions.”* For EA plans, the OOPC model maps plan liability to the DS benefit to distinguish between basic and supplemental benefits. The OOPC model will calculate both the beneficiary liability under the DS benefit and the beneficiary liability under the plan’s benefit design for each claim run through the model and will apply the greater of these values for purposes of TrOOP accumulation and movement of the beneficiary through the phases of the benefit. The OOPC model will continue to apply the beneficiary liability under the plan’s benefit design toward the OOPC estimates.

Part C Major Benefit Changes for CY 2025

The CY 2025 Plan Benefit Package (PBP) includes several changes to the structure of the service categories in section 16: Dental. The Medicare-covered dental service category has been renumbered to appear as a distinct service category (16a: Medicare Dental Services). Additionally, the non-Medicare covered dental service categories in the PBP (16b: Diagnostic and Preventive Dental, 16c: Comprehensive Dental) have been restructured for CY 2025 to better align with Current Dental Terminology (CDT) code categories.

CY 2025 May Formulary Reference File (FRF) Refresh

CMS intends to release a refreshed version of the CY 2025 Part D Bid Review OOPC model to account for changes to the CY 2025 May FRF. Given the limited timeframe between the May release of the CY 2025 May FRF and the June 3, 2024 bid submission deadline, CMS will publish a refreshed CY 2025 Part D Bid Review OOPC model that includes the FRF changes as quickly as possible. As in the past, note that the only change to the model will be the input files to reflect the anticipated small number of changes between the March and May FRFs. This will

include both FRF additions and deletions, both of which are expected to have a neutral impact or reduction in OOPC estimates.

As a reminder, sponsors and plans can view their CY 2024 Baseline OOPC values in HPMS. MAO OOPC values can be viewed in HPMS under: **Quality and Performance > Performance Metrics > Reports > Costs > Part C Out-of-Pocket Costs**. PDP OOPC values can be viewed in HPMS under: **Quality and Performance > Performance Metrics > Reports > Costs > Part D Out-of-Pocket Costs**.

All documentation and instructions associated with running the OOPC models will be posted on the CMS website on the [OOPC Resources](#) page on or about April 16, 2024.

Technical Specifications

The CY 2025 Bid Review OOPC Models were developed and tested using the following:

- SAS Version 9.4 on 64-Bit workstations and Microsoft 365 version of Excel; and
- WinZip to unzip the OOPC Model package.

Sponsors will need the following files to input into the models:

- A list of contract/plan/segment numbers;
- PBP data in HPMS downloaded JSON file format; and
- Drug formulary data.

Detailed information on all the files provided in the models and the instructions on the sequence of executing these files will be provided in a Technical User Guide, available on or about April 16, 2024.

Questions

As a result of the significant changes to the models related to the Part D redesign and the restructuring of the Part C dental service category, we encourage sponsors to contact CMS with any questions or issues at the appropriate mailbox below.

- For Part C policy-related questions, such as Total Beneficiary Cost (TBC), please submit inquiries to the [MA Benefits Mailbox at: mabenefitsmailbox.lmi.org](mailto:mabenefitsmailbox.lmi.org)
- For Part D policy-related questions about meaningful difference, please submit an email to PartDBenefits@cms.hhs.gov
- For technical questions about the Bid Pricing Tool, please submit an email to Actuarial-Bids@cms.hhs.gov
- For technical questions about the OOPC models, please submit an email to OOPC@cms.hhs.gov

Resources

Item(s)	Location	Expected Date
<ul style="list-style-type: none">• CY 2025 Bid Review OOPC Models• Technical User Guide• OOPC Methodology• FAQs	CMS OOPC Resources	April 16, 2024
<ul style="list-style-type: none">• CY 2025 Part D Bid Review OOPC Model – May FRF Refresh	CMS OOPC Resources	Late-May 2024