

DEPARTMENT OF HEALTH & HUMAN
SERVICES
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CENTER FOR MEDICARE

DATE: December 9, 2024
TO: All Part D Sponsors
FROM: Jennifer R. Shapiro, Director, Medicare Plan Payment Group
SUBJECT: Additional Prescription Drug Event Record Reporting Examples for the Implementation of the Inflation Reduction Act for Contract Year 2025

The Centers for Medicare & Medicaid Services (CMS) has received technical questions from Part D sponsors inquiring about specific Prescription Drug Event (PDE) reporting scenarios that were not directly addressed in the “Prescription Drug Event Record Reporting Instructions for the Implementation of the Inflation Drug Act for Contract Year 2025” Health Plan Management System (HPMS) memorandum published on April 15, 2024. This memorandum provides guidance related to these technical questions and the provided examples demonstrate how to report these additional PDE scenarios.

This document is organized into two sections that contain PDE examples for calculating and reporting claims submitted by Enhanced Alternative (EA) Plans and Employer Group Waiver Plans (EGWPs) that straddle from the defined standard (DS) Deductible Phase to Catastrophic Phase (Section 1), and Miscellaneous Scenarios (Section 2).

The following PDE examples use the CY 2025 benefit parameters.

Please direct questions regarding this memo to PDE-Operations@cms.hhs.gov.

PDE Examples:

Section 1 - Calculating and Reporting DS Deductible Phase to Catastrophic Phase PDEs submitted by EA Plans and EGWPs

Example #1: EA Plan – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible where the Plan’s Initial Coverage Phase (ICP) Coinsurance is less than the DS Benefit’s ICP Coinsurance (Applicable Drug)

- [Example #2:](#) EA Plan – ICP to Catastrophic Phase with a \$0.00 Plan-Defined Deductible that begins in the DS Benefit’s Deductible Phase where the Plan’s ICP Coinsurance is less than the DS Benefit’s ICP Coinsurance (Applicable Drug)
- [Example #3:](#) EGWP – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible where the EGWP Other Health Insurance (OHI)’s Coinsurance exceeds the DS Benefit’s ICP Coinsurance (Applicable Drug)
- [Example #4:](#) EA Plan – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible where the Plan’s ICP Coinsurance exceeds the DS Benefit’s ICP Coinsurance (Applicable Drug)
- [Example #5:](#) EGWP – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible and a Copay in the ICP (Applicable Drug)

Section 2 – Miscellaneous Scenarios

- [Example #6:](#) EA Plan – Deductible to ICP where a non-TrOOP-Eligible Supplemental Payer reduces the TrOOP below the DS Benefit’s Deductible Amount
- [Example #7:](#) DS Plan – ICP where a Supplemental Payer Amount exceeds the Beneficiary Cost-Sharing Amount under the Beneficiary’s Part D Plan
- [Example #8:](#) Basic Alternative (BA) Plan – Deductible to ICP where the BA Plan has a Reduced Plan-Defined Deductible and Coinsurance in the ICP

Section 1 - Calculating and Reporting DS Deductible Phase to Catastrophic Phase PDEs submitted by EA Plans and EGWPs

The examples in this section demonstrate how to report PDEs submitted by EA plans and EGWPs that straddle from the DS benefit’s Deductible Phase to the Catastrophic Phase and the plan-defined deductible is lower than the DS benefit’s deductible amount. When calculating these claims, the Delta True Out-of-Pocket costs (TrOOP) is equal to the greater of beneficiary liability under the DS benefit or beneficiary liability under the plan’s benefit design, meaning that a beneficiary cannot satisfy the DS benefit’s deductible or reach the annual out-of-pocket (OOP) threshold at a later point under the plan’s benefit design. Therefore, a beneficiary enrolled in an EA plan or an EGWP must enter the Catastrophic Phase at either the same point as a beneficiary enrolled in the DS benefit, or earlier, but not later. To facilitate this, Part D sponsors must first calculate and compare the Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB) costs under the DS benefit to the GDCB under the plan’s benefit design. The lesser amount (i.e., the GDCB where the beneficiary satisfies the annual OOP threshold at the earliest

point) should be reported on the PDE as GDCB and, subsequently, used to calculate the remaining PDE parameters.

The examples in this section contain three EA examples and two EGWP examples for non-low income (LI) beneficiaries. The reporting concepts for the examples in this section can be used for both plan types interchangeably, with the exception that EA plans must report the benefit phase indicators in alignment with the plan-defined phase and EGWPs must report the benefit phase indicators in alignment with the DS benefit.

Example #1: EA Plan – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible where the Plan’s ICP Coinsurance is less than the DS Benefit’s ICP Coinsurance (Applicable Drug)

This example demonstrates how to report a PDE when a purchase of a \$7,200.00 covered Part D applicable drug moves a beneficiary, who is in an EA plan, from the Deductible Phase to the Catastrophic Phase. This EA plan has a plan-defined deductible of \$300.00 and a coinsurance of 20% in the plan’s ICP for this drug. When the claim adjudication begins, the Total Gross Covered Drug Cost (TGCDC) Accumulator is \$100.00, and the TrOOP Accumulator is \$100.00. Because the beneficiary meets their plan-defined deductible amount and the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the Deductible Phase and the ending benefit phase is the Catastrophic Phase (the plan reports the benefit phase indicators in alignment with the plan-defined phase). The remaining TrOOP amount is calculated by subtracting the TrOOP Accumulator from the annual OOP threshold (\$2,000.000 - \$100.00), which equals \$1,900.00.

When a claim for an EA plan begins in the DS benefit’s Deductible Phase (TrOOP Accumulator < \$590.00) and ends in the Catastrophic Phase, the first step is to calculate and compare the GDCB under the DS benefit and the GDCB under the plan’s benefit design. Under the DS benefit, GDCB is calculated by adding the beneficiary’s remaining DS deductible amount (\$590.00 - \$100.00 = \$490.00) to the drug cost remaining in the DS benefit’s ICP¹ (((\$1,900.00 - \$490.00) / 0.25 = \$5,640.00), which equals \$6,130.00. Under the plan’s benefit design, GDCB is calculated by adding the beneficiary’s remaining plan deductible amount (\$300.00 - \$100.00 = \$200.00) to the drug cost remaining in the plan’s ICP (((\$1,900.00 - \$200.00) / 0.20 = \$8,500.00), which equals \$8,700.00.² Because the GDCB under the DS benefit is less than the GDCB under the plan’s benefit design, \$6,130.00 is reported as GDCB and is used to calculate the remaining

¹ When a claim begins in the ICP, the formula to determine the drug cost remaining in the ICP is equal to the Remaining TrOOP Amount / TrOOP-eligible cost-sharing percentage in the ICP. Because the PDE in this example begins in the Deductible Phase, the deductible amount that the beneficiary pays on this claim must be accounted for in the formula. For more information on determining drug costs attributed to the ICP when a claim straddles into the Catastrophic Phase, please see the HPMS memorandum, *Prescription Drug Event Record Reporting Instructions for the Implementation of the Inflation Drug Act for Contract Year 2025*, published on April 15, 2024.

² Note that the calculated GDCB under the plan’s benefit design exceeds the total drug cost on this claim, but because the DS benefit’s GDCB does not exceed the total drug cost on this claim and it is the lesser amount, the DS benefit’s GDCB is reported on the PDE and used to calculate the remaining PDE parameters.

PDE parameters. The remaining drug cost of \$1,070.00 falls in the Catastrophic Phase and is reported as the Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA) amount.

Because beneficiary eligibility for the Discount Program is dependent on a beneficiary's TrOOP exceeding the DS deductible amount, the drug cost used to calculate the manufacturer discount amount below the annual OOP threshold is equal to the reported GDCB minus the remaining TrOOP amount needed to meet the DS deductible. The manufacturer discount is 10% of the reported GDCB minus the remaining DS deductible amount $((\$6,130.00 - \$490.00) * 0.10 = \$564.00)$ plus 20% of GDCA $(\$1,070.00 * 0.20 = \$214.00)$, which equals \$778.00. The beneficiary pays 100% of the drug cost until the plan-defined deductible is met $(\$200.00 * 1.00 = \$200.00)$ plus 20% of the remaining GDCB, $((\$6,130.00 - \$200.00) * 0.20 = \$1,186.00)$, which equals \$1,386.00. CPP is mapped to the DS benefit and is 65% of the reported GDCB minus the remaining DS deductible amount $((\$6,130.00 - \$490.00) * 0.65 = \$3,666.00)$ plus 80% of GDCA $(\$1,070.00 * 0.80 = \$856.00)$, which equals \$4,522.00. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, and CPP $(\$7,200.00 - \$778.00 - \$1,386.00 - \$4,522.00)$, which equals \$514.00.

After the claim is processed, the TGCDC Accumulator increases by \$7,200.00 and the TrOOP Accumulator increases by \$1,900.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$7,200.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$6,130.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$1,070.00
Patient Pay Amount	\$1,386.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$4,522.00
Non Covered Plan Paid Amount (NPP)	\$514.00
Reported Manufacturer Discount	\$778.00
Total Gross Covered Drug Cost Accumulator	\$100.00
True Out-of-Pocket Accumulator	\$100.00
Beginning Benefit Phase	D
Ending Benefit Phase	C

Example #2: EA Plan – ICP to Catastrophic Phase with a \$0.00 Plan-Defined Deductible that begins in the DS Benefit’s Deductible Phase where the Plan’s ICP Coinsurance is less than the DS Benefit’s ICP Coinsurance (Applicable Drug)

This example demonstrates how to report a PDE when a purchase of a \$12,000.00 covered Part D applicable drug moves a beneficiary, who is in an EA plan, from the plan’s ICP (but the DS deductible has not been met) to the Catastrophic Phase. This EA plan does not have a deductible and has 20% coinsurance in the plan’s ICP for this drug. When the claim adjudication begins, the TGDCD Accumulator is \$200.00, and the TrOOP Accumulator is \$40.00. Because the beneficiary does not have a plan-defined deductible and meets the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the ICP and the ending benefit phase is the Catastrophic Phase (the plan reports the benefit phase indicators in alignment with the plan-defined phase). The remaining TrOOP amount is calculated by subtracting the TrOOP Accumulator from the annual OOP threshold (\$2,000.000 - \$40.00), which equals \$1,960.00.

When a claim for an EA plan begins in the DS benefit’s Deductible Phase (TrOOP Accumulator < \$590.00) and ends in the Catastrophic Phase, the first step is to calculate and compare the GDCB under the DS benefit and the GDCB under the plan’s benefit design. Under the DS benefit, GDCB is calculated by adding the beneficiary’s remaining DS deductible amount (\$590.00 - \$40.00 = \$550.00) to the drug cost remaining in the DS benefit’s ICP (((\$1,960.00 - \$550.00) / 0.25 = \$5,640.00), which equals \$6,190.00. Under the plan’s benefit design, GDCB is calculated by adding the beneficiary’s remaining plan deductible amount (\$0.00) to the drug cost remaining in the plan’s ICP (((\$1,960.00 - \$0.00) / 0.20 = \$9,800.00), which equals \$9,800.00. Because the GDCB under the DS benefit is less than the GDCB under the plan’s benefit design, \$6,190.00 is reported as GDCB and is used to calculate the remaining PDE parameters. The remaining drug cost of \$5,810.00 falls in the Catastrophic Phase and is reported as GDCA.

Because beneficiary eligibility for the Discount Program is dependent on a beneficiary’s TrOOP exceeding the DS deductible amount, the drug cost used to calculate the manufacturer discount amount below the annual OOP threshold is equal to the reported GDCB minus the remaining TrOOP amount needed to meet the DS deductible. The manufacturer discount is 10% of the reported GDCB minus the remaining DS deductible amount (((\$6,190.00 - \$550.00) * 0.10 = \$564.00) plus 20% of GDCA (\$5,810.00 * 0.20 = \$1,162.00), which equals \$1,726.00. The beneficiary pays 20% of the GDCB (\$6,190.00 * 0.20), which equals \$1,238.00. CPP is mapped to the DS benefit and is 65% of the reported GDCB minus the remaining DS deductible amount (((\$6,190.00 - \$550.00) * 0.65 = \$3,666.00) plus 80% of GDCA (\$5,810.00 * 0.80 = \$4,648.00), which equals \$8,314.00. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, and CPP (\$12,000.00 - \$1,726.00 - \$1,238.00 - \$8,314.00), which equals \$722.00.

After the claim is processed, the TGDCD Accumulator increases by \$12,000.00 and the TrOOP Accumulator increases by \$1,960.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$12,000.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$6,190.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$5,810.00
Patient Pay Amount	\$1,238.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$8,314.00
Non Covered Plan Paid Amount (NPP)	\$722.00
Reported Manufacturer Discount	\$1,726.00
Total Gross Covered Drug Cost Accumulator	\$200.00
True Out-of-Pocket Accumulator	\$40.00
Beginning Benefit Phase	N
Ending Benefit Phase	C

Example #3: EGWP – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible where the EGWP Other Health Insurance (OHI)’s Coinsurance exceeds the DS Benefit’s ICP Coinsurance (Applicable Drug)

This example demonstrates how to report a PDE when a purchase of an \$8,000.00 covered Part D applicable drug moves a beneficiary, who is enrolled in an EGWP, from the DS Deductible Phase to the Catastrophic Phase. Under the EGWP OHI benefit, the beneficiary has a \$400.00 deductible and 30% coinsurance for this drug. When the claim adjudication begins, the TGCDCA Accumulator is \$300.00, and the TrOOP Accumulator is \$300.00. Because the beneficiary would both satisfy the DS benefit’s deductible and meet the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the Deductible Phase and the ending benefit phase is the Catastrophic Phase (the plan reports the benefit phase indicators in alignment with the DS benefit). The remaining TrOOP amount is calculated by subtracting the TrOOP Accumulator from the annual OOP threshold (\$2,000.000 - \$300.00), which equals \$1,700.00.

When a claim for an EGWP begins in the DS benefit’s Deductible Phase (TrOOP Accumulator < \$590.00) and ends in the Catastrophic Phase, the first step is to calculate and compare the GDCB under the DS benefit and the GDCB under the EGWP OHI benefit. Under the DS benefit, GDCB is calculated by adding the beneficiary’s remaining DS deductible amount (\$590.00 - \$300.00 = \$290.00) to the drug cost remaining in the DS benefit’s ICP $((\$1,700.00 - \$290.00) / 0.25 = \$5,640.00)$, which equals \$5,930.00. Under the EGWP OHI benefit, GDCB is calculated by adding the beneficiary’s remaining plan deductible amount (\$400.00 - \$300.00 = \$100.00) to the

drug cost remaining in the plan's ICP ($(\$1,700.00 - \$100.00) / 0.30 = \$5,333.33$), which equals \$5,433.33. Because the GDCB under the EGWP OHI benefit is less than the GDCB under the DS benefit, \$5,433.33 is reported as GDCB and is used to calculate the remaining PDE parameters. The remaining drug cost of \$2,566.67 falls in the Catastrophic Phase and is reported as GDCA.

Because beneficiary eligibility for the Discount Program is dependent on a beneficiary's TrOOP exceeding the DS deductible amount, the drug cost used to calculate the manufacturer discount amount below the annual OOP threshold is equal to the reported GDCB minus the remaining TrOOP amount needed to meet the DS deductible. The manufacturer discount is 10% of the reported GDCB minus the remaining DS deductible amount ($(\$5,433.33 - \$290.00) * 0.10 = \$514.33$) plus 20% of GDCA ($\$2,566.67 * 0.20 = \513.33), which equals \$1,027.66. The beneficiary pays 100% of the drug cost until the EGWP OHI deductible is met ($\$100.00 * 1.00 = \100.00) plus 30% of the remaining GDCB, ($(\$5,433.33 - \$100.00) * 0.30 = \$1,600.00$), which equals \$1,700.00. CPP is mapped to the DS benefit and is 65% of the reported GDCB minus the remaining DS deductible amount ($(\$5,433.33 - \$290.00) * 0.65 = \$3,343.16$) plus 80% of GDCA ($\$2,566.67 * 0.80 = \$2,053.34$), which equals \$5,396.50. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, and CPP ($\$8,000.00 - \$1,027.66 - \$1,700.00 - \$5,396.50$), which equals -\$124.16.

After the claim is processed, the TGCDC Accumulator increases by \$8,000.00 and the TrOOP Accumulator increases by \$1,700.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$8,000.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$5,433.33
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$2,566.67
Patient Pay Amount	\$1,700.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$5,396.50
Non Covered Plan Paid Amount (NPP)	-\$124.16
Reported Manufacturer Discount	\$1,027.66
Total Gross Covered Drug Cost Accumulator	\$300.00
True Out-of-Pocket Accumulator	\$300.00
Beginning Benefit Phase	D

Ending Benefit Phase	C
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Example #4: EA Plan – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible where the Plan’s ICP Coinsurance exceeds the DS Benefit’s ICP Coinsurance (Applicable Drug)

This example demonstrates how to report a PDE when a purchase of a \$6,000.00 covered Part D applicable drug moves a beneficiary, who is in an EA plan, from the Deductible Phase to the Catastrophic Phase. This EA plan has a \$400.00 deductible and has 27% coinsurance in the plan’s ICP for this drug. When the claim adjudication begins, the TGCDC Accumulator is \$300.00, and the TrOOP Accumulator is \$300.00. Because the beneficiary meets their plan-defined deductible amount and the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the Deductible Phase and the ending benefit phase is the Catastrophic Phase (the plan reports the benefit phase indicators in alignment with the plan-defined phase). The remaining TrOOP amount is calculated by subtracting the TrOOP Accumulator from the annual OOP threshold (\$2,000.000 - \$300.00), which equals \$1,700.00.

When a claim for an EA plan begins in the DS benefit’s Deductible Phase (TrOOP Accumulator < \$590.00) and ends in the Catastrophic Phase, the first step is to calculate and compare the GDCB under the DS benefit and the GDCB under the plan’s benefit design. Under the DS benefit, GDCB is calculated by adding the beneficiary’s remaining DS deductible amount (\$590.00 - \$300.00 = \$290.00) to the drug cost remaining in the DS benefit’s ICP ($((\$1,700.00 - \$290.00) / 0.25 = \$5,640.00)$), which equals \$5,930.00. Under the plan’s benefit design, GDCB is calculated by adding the beneficiary’s remaining plan deductible amount (\$400.00 - \$300.00 = \$100.00) to the drug cost remaining in the plan’s ICP ($((\$1,700.00 - \$100.00) / 0.27 = \$5,925.93)$), which equals \$6,025.93. Because the GDCB under the DS benefit is less than the GDCB under the plan’s benefit design, \$5,930.00 is reported as GDCB and is used to calculate the remaining PDE parameters. The remaining drug cost of \$70.00 falls in the Catastrophic Phase and is reported as GDCA.

Because beneficiary eligibility for the Discount Program is dependent on a beneficiary’s TrOOP exceeding the DS deductible amount, the drug cost used to calculate the manufacturer discount amount below the annual OOP threshold is equal to the reported GDCB minus the remaining TrOOP amount needed to meet the DS deductible. The manufacturer discount is 10% of the reported GDCB minus the remaining DS deductible amount ($((\$5,930.00 - \$290.00) * 0.10 = \$564.00)$) plus 20% of GDCA ($(\$70.00 * 0.20 = \$14.00)$), which equals \$578.00. The beneficiary pays 100% of the drug cost until the plan-defined deductible is met ($(\$100.00 * 1.00 = \$100.00)$) plus 27% of the remaining GDCB, $((\$5,930.00 - \$100.00) * 0.27 = \$1,574.10)$, which equals \$1,674.10. CPP is mapped to the DS benefit and is 65% of the reported GDCB minus the remaining DS deductible amount ($((\$5,930.00 - \$290.00) * 0.65 = \$3,666.00)$) plus 80% of GDCA ($(\$70.00 * 0.80 = \$56.00)$), which equals \$3,722.00. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, and CPP ($(\$6,000.00 - \$578.00 - \$1,674.10 - \$3,722.00)$), which equals \$25.90.

After the claim is processed, the TGCDC Accumulator increases by \$6,000.00 and the TrOOP Accumulator increases by \$1,700.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$6,000.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$5,930.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$70.00
Patient Pay Amount	\$1,674.10
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$3,722.00
Non Covered Plan Paid Amount (NPP)	\$25.90
Reported Manufacturer Discount	\$578.00
Total Gross Covered Drug Cost Accumulator	\$300.00
True Out-of-Pocket Accumulator	\$300.00
Beginning Benefit Phase	D
Ending Benefit Phase	C

Example #5: EGWP – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible and a Copay in the ICP (Applicable Drug)

This example demonstrates how to report a PDE when a purchase of a \$7,600.00 covered Part D applicable drug moves a beneficiary, who is enrolled in an EGWP, from the DS benefit's Deductible Phase to the Catastrophic Phase. Under the EGWP OHI benefit, the beneficiary has a \$300.00 deductible and a \$250.00 copay for this drug. When the claim adjudication begins, the TGCDC Accumulator is \$100.00, and the TrOOP Accumulator is \$100.00. Because the beneficiary would both satisfy the DS benefit's deductible and meet the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the Deductible Phase and the ending benefit phase is the Catastrophic Phase (the plan reports the benefit phase indicators in alignment with the DS benefit). The remaining TrOOP amount is calculated by subtracting the TrOOP Accumulator from the annual OOP threshold (\$2,000.000 - \$100.00), which equals \$1,900.00.

When a claim for an EGWP begins in the DS benefit's Deductible Phase (TrOOP Accumulator < \$590.00) and ends in the Catastrophic Phase, the first step is to calculate and compare the GDCB under the DS benefit and the GDCB under the EGWP OHI benefit. Under the DS benefit, GDCB is calculated by adding the beneficiary's remaining DS deductible amount (\$590.00 - \$100.00 =

\$490.00) to the drug cost remaining in the DS benefit's ICP $((\$1,900.00 - \$490.00) / 0.25 = \$5,640.00)$, which equals \$6,130.000. Under the EGWP OHI benefit, GDCB is calculated by adding the beneficiary's remaining plan deductible amount $(\$300.00 - \$100.00 = \$200.00)$ to the drug cost remaining in the plan's ICP³ $((\$1,900.00 - \$200.00) / (\$250.00 / (\$7,600.00 - \$200.00))) = \$50,320.00)$, which equals \$50,520.00. Because the GDCB under the DS benefit is less than the GDCB under the EGWP OHI benefit, \$6,130.00 is reported as GDCB and is used to calculate the remaining PDE parameters. The remaining drug cost of \$1,470.00 falls in the Catastrophic Phase and is reported as GDCA.

Because beneficiary eligibility for the Discount Program is dependent on a beneficiary's TrOOP exceeding the DS deductible amount, the drug cost used to calculate the manufacturer discount amount below the annual OOP threshold is equal to the reported GDCB minus the remaining TrOOP amount needed to meet the DS deductible. The manufacturer discount is 10% of the reported GDCB minus the remaining DS deductible amount $((\$6,130.00 - \$490.00) * 0.10 = \$564.00)$ plus 20% of GDCA $(\$1,470.00 * 0.20 = \$294.00)$, which equals \$858.00. The beneficiary pays 100% of the drug cost until the EGWP OHI deductible is met $(\$200.00 * 1.00 = \$200.00)$ plus a \$250.00 copay, which equals \$450.00. CPP is mapped to the DS benefit and is 65% of the reported GDCB minus the remaining DS deductible amount $((\$6,130.00 - \$490.00) * 0.65 = \$3,666.00)$ plus 80% of GDCA $(\$1,470.00 * 0.80 = \$1,176.00)$, which equals \$4,842.00. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, and CPP $(\$7,600.00 - \$858.00 - \$450.00 - \$4,842.00)$, which equals \$1,450.00.

After the claim is processed, the TGCDC Accumulator increases by \$7,600.00 and the TrOOP Accumulator increases by \$1,900.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$7,600.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$6,130.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$1,470.00
Patient Pay Amount	\$450.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$4,842.00

³ For additional details on determining the TrOOP-eligible cost-sharing percentage in the ICP when a plan has a copay in the ICP, please see the HPMS memorandum, *Prescription Drug Event Record Reporting Instructions for the Implementation of the Inflation Drug Act for Contract Year 2025*, published on April 15, 2024.

Non Covered Plan Paid Amount (NPP)	\$1,450.00
Reported Manufacturer Discount	\$858.00
Total Gross Covered Drug Cost Accumulator	\$100.00
True Out-of-Pocket Accumulator	\$100.00
Beginning Benefit Phase	D
Ending Benefit Phase	C

Section 2 – Miscellaneous Scenarios

The first two examples in this section demonstrate how to report PDEs consistent with the HPMS memorandum published on November 26, 2024, which describes how supplemental payments by non-Part D payers affect manufacturer discounts under the Manufacturer Discount Program and TrOOP costs in certain scenarios.⁴ The final example in this section demonstrates how to report a PDE that straddles from the plan-defined Deductible Phase to the ICP for a BA Plan that has a reduced plan-defined deductible and coinsurance in the plan's ICP.

Example #6: EA Plan – Deductible to ICP where a non-TrOOP-Eligible Supplemental Payer reduces the TrOOP below the DS Benefit's Deductible Amount

This example demonstrates how to report a PDE for a beneficiary in an EA plan that purchases a \$250.00 covered Part D applicable drug that straddles from the plan-defined Deductible Phase to the plan-defined ICP and accumulates TrOOP that exceeds the DS deductible amount under the beneficiary's Part D plan, but a non-TrOOP-eligible supplemental payer reduces TrOOP to below the DS deductible amount. This EA plan has a plan-defined deductible of \$540.00 and has a \$25.00 copay in the ICP. When the claim adjudication begins, the TGCDC Accumulator is \$490.00, and the TrOOP Accumulator is \$490.00. Because the beneficiary meets their plan-defined deductible midway through the processing of this claim, the beginning benefit phase is the Deductible Phase and the ending benefit phase is the ICP (the plan reports the benefit phase indicators in alignment with the plan-defined phase). The remaining TrOOP amount required for the beneficiary to meet the definition of an applicable beneficiary and be eligible for the Discount Program is calculated by subtracting the TrOOP Accumulator from the DS deductible amount and is \$100.00 (\$590.00 - \$490.00).

The Delta TrOOP on this claim is the greater of beneficiary liability under the DS benefit or beneficiary liability under the plan's benefit design. Under the plan's benefit design, the beneficiary pays 100% of the drug cost until the plan-defined deductible is met ($\$50.00 * 1.00 = \50.00) plus a \$25.00 copay in the plan's ICP, which equals \$75.00. Under the DS benefit, the beneficiary pays 100% of the drug cost until the DS deductible is met ($\$100.00 * 1.00 = \100.00) plus 25% coinsurance in the ICP ($\$150.00 * 0.25 = \37.50), which equals \$137.50.

⁴ See the HPMS Memorandum, *Additional Guidance on the Impact of Supplemental Payments on Manufacturer Discount Program Calculations and True Out-of-Pocket (TrOOP) Cost Accumulation* published on November 26, 2024 for additional details about this policy.

Therefore, Delta TrOOP on this PDE is equal to \$137.50, which exceeds the \$100.00 of remaining TrOOP required for the beneficiary to be eligible for the Discount Program.

Because beneficiary eligibility for the Discount Program is dependent on a beneficiary's TrOOP exceeding the DS deductible amount, the drug cost used to calculate the manufacturer discount amount is equal to total drug cost minus the TrOOP amount needed to meet the DS deductible amount.⁵ The manufacturer discount is \$15.00 $((\$250.00 - \$100.00) * 0.10)$. The Patient Pay Amount, as previously calculated, is \$75.00. CPP is mapped to the DS benefit and is equal to \$97.50 $(\$100.00 * 0.00 + \$150.00 * 0.65)$. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, and CPP $(\$250.00 - \$15.00 - \$75.00 - \$97.50)$, which equals \$62.50.

After the Part D plan adjudicates the claim, there is an Information Reporting (N) transaction indicating that a non-TrOOP-eligible supplemental payment was made. The supplemental payment reduced the Patient Pay Amount to \$0.00. Because the supplemental payer was not TrOOP-eligible, the \$75.00 reduction to Patient Pay Amount is reported in the Patient Liability Reduction Due to Other Payer Amount (PLRO) field.

After the claim is processed, the TGCDC Accumulator increases by \$250.00, and the TrOOP Accumulator increases by \$62.50. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$250.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$250.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$0.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$75.00
Covered D Plan Paid Amount (CPP)	\$97.50
Non Covered Plan Paid Amount (NPP)	\$62.50
Reported Manufacturer Discount	\$15.00

⁵ As stated in the Medicare Part D Manufacturer Discount Program Final Guidance Section 50.3 (Nov. 17, 2023), in the case of a claim for an applicable drug for an applicable beneficiary that straddles multiple phases of the benefit, section 1860D-14C(g)(4)(E) of the Act requires that for claims that do not fall entirely above the annual deductible specified in section 1860D-2(b)(1) of the Act, the manufacturer provides the applicable discount on only the portion of the negotiated price that falls above the DS deductible.

Total Gross Covered Drug Cost Accumulator	\$490.00
True Out-of-Pocket Accumulator	\$490.00
Beginning Benefit Phase	D
Ending Benefit Phase	N

Example #7: DS Plan – ICP where a Supplemental Payer Amount exceeds the Beneficiary Cost-Sharing Amount under the Beneficiary’s Part D Plan

This example demonstrates how to report a PDE for a beneficiary with a supplemental payer that purchases a \$100.00 covered Part D applicable drug and the supplemental payer’s beneficiary cost-sharing amount exceeds the beneficiary cost-sharing amount under their Part D plan. When the claim adjudication begins, the TGCDC Accumulator is \$700.00, and the TrOOP Accumulator is \$625.00. The beneficiary is in the DS benefit’s ICP (TrOOP Accumulator \geq \$590.00 and TrOOP Accumulator + Delta TrOOP $<$ \$2,000.00); the ICP is the beginning and ending benefit phase. In the DS benefit’s ICP, the manufacturer discount is 10% of the total drug cost ($\$100.00 \times 0.10 = \10.00), the beneficiary would have a 25% coinsurance liability ($\$100.00 \times 0.25 = \25.00), and CPP is 65% of the total drug cost ($\$100.00 \times 0.65 = \65.00). The supplemental payer charges a \$30.00 copay for this drug, but because this amount exceeds the DS benefit’s beneficiary cost-sharing amount of \$25.00, the Patient Pay Amount reported on the PDE is equal to \$25.00.⁶

After the claim is processed, the TGCDC Accumulator increases by \$100.00, and the TrOOP Accumulator increases by \$25.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$100.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$100.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$25.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$65.00
Non Covered Plan Paid Amount (NPP)	\$0.00

⁶ See the HPMS Memorandum, *Additional Guidance on the Impact of Supplemental Payments on Manufacturer Discount Program Calculations and True Out-of-Pocket (TrOOP) Cost Accumulation* published on November 26, 2024 for additional details about this policy.

Reported Manufacturer Discount	\$10.00
Total Gross Covered Drug Cost Accumulator	\$700.00
True Out-of-Pocket Accumulator	\$625.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

Example #8: BA Plan – Deductible to ICP where the BA Plan has a Reduced Plan-Defined Deductible and Coinsurance in the ICP

This example demonstrates how to report a PDE for a beneficiary in a BA plan that purchases a \$100.00 covered Part D applicable drug on Tier 1 of the BA plan’s formulary. This BA plan has a plan-defined deductible of \$300.00, does not charge a deductible for Tier 1 drugs, and has 20% coinsurance in the ICP for Tier 1 drugs. When the claim adjudication begins, the TGCDL Accumulator is \$750.00, and the TrOOP Accumulator is \$580.00. Although a plan deductible does not apply to this drug, the TrOOP accumulation on this claim causes the beneficiary’s TrOOP to exceed the DS deductible amount and, therefore, the plan-defined deductible is satisfied during the processing of this claim. Because this drug does not apply to the plan’s deductible, the beginning and ending benefit phase is the ICP (the plan reports the benefit phase indicators in alignment with the plan-defined phase). The remaining TrOOP amount required for the beneficiary to meet the definition of an applicable beneficiary and be eligible for the Discount Program is calculated by subtracting the TrOOP Accumulator from the DS deductible amount and is \$10.00 (\$300.00 - \$290.00).

The beneficiary pays 20% coinsurance in the plan-defined ICP (\$100.00 * 0.20), which equals \$20.00. The Delta TrOOP on this claim is equal to \$20.00, which exceeds the \$10.00 of remaining TrOOP required for the beneficiary to be eligible for the Discount Program. Because beneficiary eligibility for the Discount Program is dependent on a beneficiary’s TrOOP exceeding the DS deductible amount, the drug cost used to calculate the manufacturer discount amount is equal to total drug cost minus the TrOOP amount needed to meet the DS deductible.⁷ The manufacturer discount is \$9.00 ((\$100.00 - \$10.00) * 0.10). The Patient Pay Amount, as previously calculated, is \$20.00. The plan pays the remaining \$71.00 and reports this amount as CPP.

After the claim is processed, the TGCDL Accumulator increases by \$100.00, and the TrOOP Accumulator increases by \$20.00. After this claim is processed, the beneficiary’s total TrOOP is equal to \$600.00 (\$580.00 + \$20.00). Because the beneficiary’s total TrOOP exceeds the DS deductible amount, the beneficiary is deemed to have satisfied their plan deductible even though

⁷ As stated in the Medicare Part D Manufacturer Discount Program Final Guidance Section 50.3 (Nov. 17, 2023), in the case of a claim for an applicable drug for an applicable beneficiary that straddles multiple phases of the benefit, section 1860D-14C(g)(4)(E) of the Act requires that for claims that do not fall entirely above the annual deductible specified in section 1860D-2(b)(1) of the Act, the manufacturer provides the applicable discount on only the portion of the negotiated price that falls above the DS deductible.

this drug was not subject to the plan’s deductible.⁸ All subsequent PDEs for this beneficiary will be reported in the ICP or the Catastrophic Phase. The table below illustrates how the Part D sponsor would populate the PDE record

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$100.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$100.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$20.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$71.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Reported Manufacturer Discount	\$9.00
Total Gross Covered Drug Cost Accumulator	\$750.00
True Out-of-Pocket Accumulator	\$580.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

⁸ As stated in Section 40 of the Final CY 2025 Part D Redesign Program Instructions, TrOOP-eligible costs for drugs not subject to the DS deductible, specifically covered insulin products, as well as TrOOP-eligible costs for drugs not subject to a non-DS plan deductible or drugs subject to a reduced deductible under non-DS plans, all count towards a beneficiary satisfying the DS deductible. As a result, in CY 2025, if a beneficiary has not satisfied their plan deductible but has incurred sufficient TrOOP-eligible costs to satisfy the DS deductible, they will be both an applicable beneficiary under the Discount Program, as defined at section 1860D-14C(g)(1)(C) of the Act, and deemed to have satisfied their plan deductible.