

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



**CENTER FOR MEDICARE**

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**DATE:** July 30, 2024

**TO:** All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans, PACE Organizations, and Demonstrations

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

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Office of the Actuary

**SUBJECT:** Announcement of Actuarial User Group Call and Clarifications Regarding  
Voluntary Part D Premium Stabilization Demonstration for Standalone  
Prescription Drug Plans

On July 29, 2024, CMS released information regarding the voluntary Part D Premium Stabilization Demonstration for Calendar Year (CY) 2025 for standalone prescription drug plans (PDPs). The demonstration consists of three elements.

- First, CMS will apply a uniform reduction of \$15 to the base beneficiary premium (BBP) for all participating standalone PDPs. If the reduction would result in a plan's total Part D premium (that is, the sum of the Part D basic and Part D supplemental premiums) being below \$0, the plan's basic Part D premium will be reduced to the point where the plan's total Part D premium equals \$0.
- Second, a year-over-year premium increase limit of \$35 will be imposed on a plan's total Part D premium, meaning any plan-specific total Part D premium would not be permitted to increase more than \$35 from CY 2024. For plan types for which this element applies, the year-over-year limit will be applied after the reduction in the BBP.
- The third element of the demonstration will be a change to the risk corridors to provide for greater government risk sharing for potential plan losses.

**CMS will hold an actuarial user group call on Thursday, August 1 at 1:00 pm Eastern Time** in order to address clarifying questions regarding the voluntary demonstration. CMS is requesting that questions be submitted in advance of the August 1 actuarial user group call to [PartDPaymentPolicy@cms.hhs.gov](mailto:PartDPaymentPolicy@cms.hhs.gov).

**There are two options to join the call as follows:**

**Option 1: To join online:**

- <https://cms.zoomgov.com/j/1612384782?pwd=coLXDhAR0YlqsEL3wS0fQQRDWSsG1z.1>
- Webinar ID: 161 238 4782
- Passcode: 135821

**Option 2: To join by phone:**

- Participant Dial-In Number: (833) 568-8864 (Toll Free)
- Meeting ID: 161 238 4782

In addition, we are providing responses below to some initial questions we have received about the voluntary demonstration:

1. **For plans participating in the demonstration, how will the reduction in Part D premiums due to the reduction in the BBP of \$15 and, when applicable, the year-over-year premium increase limit of \$35 on a plan's total Part D premium work?**

The government, through an increase in the Part D direct subsidy paid to participating PDP sponsors, will cover the full amount of the reduction in premiums under the demonstration. This increase will account for both the \$15 reduction in BBP and the year-over-year premium increase limit of \$35 on a plan's total Part D premium.

Direct subsidy payments are equal to the Part D plan's risk-adjusted standardized bid and reduced by the Part D plan's basic Part D premium. The reduction in the plan's basic Part D premium will directly result in increased direct subsidy payments. In the voluntary demonstration, the BBP reduction of \$15 and year-over-year limit of \$35 will decrease the PDP's basic Part D premium and will cause a corresponding increase to the PDP's direct subsidy payment.

The voluntary demonstration does not affect any other payment operation or calculation conducted by CMS with respect to participating plans. For participating plans, all other payment operations will be conducted as normal using the premiums under the demonstration parameters.

2. **What happens if a basic PDP's basic Part D premium is above a low-income subsidy (LIS) benchmark prior to the demonstration, and participation in the demonstration brings the plan's basic Part D premium below the benchmark? Do these plans receive reassignments?**

Low-income subsidy benchmarks were calculated based on pre-demonstration basic Part D premiums and will not be recalculated based on the demonstration premiums. The low-income premium subsidy amount (LIPSA) paid to participating plans will be based on their demonstration basic Part D premiums. If a participating basic plan has a pre-demonstration basic Part D premium that was greater than the LIS benchmark for a particular region and a demonstration basic Part D premium that is less than the LIS benchmark for that region, that plan will be treated as a plan with a basic Part D premium under the LIS benchmark and be eligible for LIS auto-assignments for CY 2025.

**3. Can plans rebid? Will this demo adjust plan bids?**

Part D sponsors are not expected or permitted to make any changes to their bids in order to participate in the demonstration nor will their bid be changed by the voluntary demonstration.