

CY 2017 Prescription Drug Plan Total Beneficiary Cost Methodology

As indicated in the CY 2017 Final Call Letter, CMS did not implement an out-of-pocket cost (OOPC) or market basket approach to set thresholds for increases in cost-sharing and premiums whereby we would deny Part D bids with significant increases for CY 2017. Instead, we stated that we would calculate and publish the Part D Total Beneficiary Cost (TBC) to support transparency related to the year-over-year out-of-pocket beneficiary costs. For stand-alone prescription drug plans (PDPs), the TBC is the sum of the plan-specific Part D premium and the estimated beneficiary out-of-pocket costs. The change in TBC from one year to the next captures the combined financial impact of increasing drug costs, premium changes and benefit design changes (i.e., cost-share changes), along with formulary changes, on plan enrollees. By identifying changes in the TBC from one year to the next and making this information publicly available, CMS is able to provide another tool to gauge year-over-year changes between plan offerings specific to a region, across regions, and nationally.

One of the key components used in the TBC calculation is an estimated out-of-pocket drug cost for each plan based on a statistical sample of approximately 9,000 total Medicare beneficiaries and their medications over a two year period (~ 4,500 beneficiaries per year) from the Medicare Current Beneficiary Survey (MCBS). The Part D TBC should only be used as an indicator of changes in premium and drugs costs at the plan level and may not reflect actual changes in costs experienced by each enrollee, largely because utilization of drugs differs based on individual needs. Projected medication cost information that are more specific to enrollee medications can be found in the Medicare Plan Finder available at: <https://www.medicare.gov> and additional information on the MCBS can be found at: <https://www.cms.gov/Research-Statistics-Data-and-Systems/Research/MCBS/>.

CMS is providing plan-specific TBC values for CY 2017 plans and if available, their associated CY 2016 TBC values. The following table shows the data elements that are captured in the TBC calculation and the technical adjustments that are incorporated to account for changes from one year to the next. The final TBC values are posted on <https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/ProgramReports.html>.

Plan-Specific TBC Calculation

Steps	Item Code	Item	Description
CY2016 TBC	A	OOPC value from CY 2016 OOPC Model	The CY 2016 OOPC value is based on the December 2015 run of CY 2016 formulary and bid data through the CY 2016 Medicare Plan Finder (MPF) OOPC model; the CY 2017 OOPC value is based on a 10/05/16 run of CY 2017 formulary and bid data through the CY 2017 Plan Model OOPC model.
	B	Premium	
	C	Total TBC	
CY2017 TBC	D	OOPC value from CY 2017 OOPC Model	The CY 2016 OOPC value is based on the December 2015 run of CY 2016 formulary and bid data through the CY 2016 Medicare Plan Finder (MPF) OOPC model; the CY 2017 OOPC value is based on a 10/05/16 run of CY 2017 formulary and bid data through the CY 2017 Plan Model OOPC model.
	E	Premium	
	F	Total TBC	
Apply TBC Adjustments	G	Unadjusted TBC change	Calculation: F minus C
	H	Impact of changes in OOPC Models Between CY 2016 and CY 2017	Plan-specific value is provided by CMS.
Evaluation	I	Adjusted TBC change	Calculation: G minus H
	J	Year-over-Year % Change	Calculation: I divided by C times 100

As described in the table above, CY 2017 TBC plan-specific calculations include an OOPC value (Item D), Premium (Item E), and Total TBC (Item F) and its associated CY 2016 TBC information if a plan was renewed from 2016. The list does NOT include CY 2016 plans that are NOT renewed for CY 2017 and no adjustments will be made for plans that changed benefit types and/or plans that cross-walked to other plans in CY 2017.

The Unadjusted TBC Change between CY 2016 and CY 2017 (Item G) is the difference between CY 2017 Total TBC (Item F) and CY 2016 Total TBC (Item C) , i.e., $G = F - C$. The impact of changes in OOPC Models (Item H) was derived using 2017 TBC Part D adjustment values which is generated from running CY 2016 bid information through the CY 2017 OOPC Model to calculate the difference or impact of changes in OOPC models*. The Adjusted TBC Change amount (Item I) reflects the TBC change that's been adjusted for changes to the OOPC Model.

PDP TBC Information is posted on: <https://www.cms.gov/Medicare/Prescription-Drug-Coverage/PrescriptionDrugCovGenIn/ProgramReports.html>

The TBC information that CMS is providing in the public posting of TBC values includes:

- Plan Information (Contract, Plan, Region, Plan Type, Parent Org, Plan Marketing Name)
- 2017 TBC
- 2016 TBC
- Estimated monthly TBC Change (\$ and % change) from CY 2016 to CY +2017

Please direct any questions or concerns about the Part D TBC methodology to partdbenefits@cms.hhs.gov .

*Generated from 2017 OOPC Model with **2016 bid information, 2017 benefit parameters** 2010/2011 MCBS survey information, July 2015 FRF data, and 2014 PDE data to compare with CY 2016 OOPC Model estimate (i.e. Part D December 2015 Run of 2016 MPF OOPC Model output posted on HPMS uses **2016 bid information, 2016 benefit parameters**, 2010/2011 MCBS information, July 2015 FRF data, and 2014 PDE data) for setting the 2017 TBC Part D adjustment values.