

20.3 - Standard Prescription Drug Coverage

(Rev. 14, Issued; 09-30-11, Effective: 09-30-11, Implementation: 09-30-11)

Standard prescription drug coverage includes two distinct types of coverage: (1) defined standard coverage; and (2) actuarially equivalent standard coverage. Both types of standard prescription drug coverage consist of coverage of covered Part D drugs subject to an annual deductible; 25 percent coinsurance (or an actuarially equivalent structure) up to an initial coverage limit; *coinsurance equal to the gap coinsurance percentages (or an actuarially equivalent amount) during the coverage gap*; and catastrophic coverage after an individual incurs out-of-pocket expenses above the annual out-of-pocket threshold. Both defined standard coverage and actuarially equivalent standard coverage include access to negotiated prices, as described in section 20.5.

20.3.1 - Defined Standard Coverage

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Defined standard coverage consists of coverage of covered Part D drugs subject to:

- An annual deductible.
- Twenty-five percent coinsurance for actual costs above the annual deductible but at or below an initial coverage limit.
- *Coinsurance that is equal to the costs of non-applicable and applicable (brand) drugs during the coverage gap multiplied by the gap coinsurance percentages described in section 20.5.*
- Catastrophic coverage with nominal cost-sharing for the remainder of the coverage year once an enrollee's costs exceed the annual out-of-pocket threshold.

The annual deductible, initial coverage limit, out-of-pocket threshold, and beneficiary cost-sharing after the annual out-of-pocket threshold is met are adjusted annually. As provided in [42 CFR 423.104\(d\)\(5\)\(iv\)](#), these amounts will be adjusted relative to the previous year's amounts by the annual percentage increase in average per capita aggregate expenditures for Part D drugs for the 12-month period ending in July of the previous year. The updated benefit parameters for 2012 include an adjustment for any variations between the projected and actual amounts from the prior period. For more information about the methodologies used to update the 2012 benefit parameters, refer to:

<http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/AD/list.asp?filtertype=none&datefiltertype=&datefilterinterval=&datafiltertype=1&datafiltervalue=&keyword=&intNumPerPage=10&cmdFilterList=Show+Items>

20.3.2 - Actuarially Equivalent Standard Coverage

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Part D sponsors may also offer actuarially equivalent standard coverage, under which they would substitute certain cost-sharing requirements in defined standard coverage (including tiered structures tied to plan formularies or preferred pharmacies in a plan's network, as described in section 50.9) for:

1. Costs above the annual deductible and up to the initial coverage limit, provided that those alternative cost-sharing requirements are actuarially equivalent to the average expected coinsurance of 25 percent for costs above the annual deductible and up to the initial coverage limit under defined standard coverage; and/or
2. *Costs for coinsurance during the coverage gap, provided that those alternative cost-sharing requirements are actuarially equivalent to the average expected coinsurance (that is equal to the costs of non-applicable and applicable drugs multiplied by the gap coinsurance percentages described in section 20.5) under defined standard coverage; and/or*
3. Costs in the catastrophic portion of the benefit, provided that those alternative cost-sharing requirements are actuarially equivalent to the average expected cost-sharing

under defined standard coverage described in *the applicable annual Rate Announcement/Call Letter found at www.cms.gov/PrescriptionDrugCovContra/01_Overview.asp*.

Cost-sharing arrangements under actuarially equivalent standard coverage could include reducing cost-sharing to \$0 for generic or preferred covered Part D drugs, as long as the cost-sharing structure is actuarially equivalent to an average expected coinsurance of 25 percent for costs above the annual deductible and up to the initial coverage limit and/or to an average expected cost-sharing in the catastrophic portion of the benefit equivalent to the cost-sharing described in *the applicable annual Rate Announcement/Call Letter found at www.cms.gov/PrescriptionDrugCovContra/01_Overview.asp*. Any such cost-sharing arrangements will be reviewed, along with the rest of a plan's benefit design, to ensure that they do not discriminate against certain Part D eligible individuals.