20.8 - *Ensuring Meaningful Differences in Approved Bids*
(Rev. 14, Issued; 09-30-11, Effective: 09-30-11, Implementation: 09-30-11)

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

CMS ensures that plan offerings by Part D sponsors represent meaningful differences to beneficiaries with respect to benefit packages and plan cost structures. Specifically, §423.272(b)(3)(i) stipulates that CMS will only approve a bid submitted by a Part D sponsor if its plan benefit package or plan cost structure was substantially different from those of other plan offerings by the sponsor in the service area with respect to key characteristics such as premiums, cost-sharing, formulary structure, or benefits offered. Section 423.265(b)(2) also requires that Part D sponsors may submit multiple bids in the same area only if the offerings are substantially different from each other.

While CMS supports the concept of a wide variety of prescription drug coverage choices for Medicare beneficiaries, CMS believes it is necessary to ensure that those choices represent *meaningfully* different options in order to simplify beneficiaries' enrollment decision making process. Ensuring that*, within each service area,* PDP sponsors *offer only plan options that are meaningfully* different will maximize opportunities for beneficiaries to select the most appropriate plan for their needs and reduce beneficiary confusion with respect to choices offered by the same Part D sponsor.

To determine whether there are meaningful differences amongst plans offered by the same sponsor, CMS will evaluate and compare plan offerings in a service area by evaluating plan-specific benefit data (e.g., cost sharing, formulary, and benefits) for each offering. CMS will provide additional information regarding our meaningfully different bid evaluation processes in our annual payment notice and call letter prior to the date of plan bid submissions.

20.8.2 - *Meaningful Differences in Basic Prescription Drug Coverage Options*
(Rev. 14, Issued; 09-30-11, Effective: 09-30-11, Implementation: 09-30-11)

To determine whether there *are meaningful* differences between basic prescription drug coverage options (which includes defined standard, actuarially equivalent standard, and basic alternative benefit designs) offered by the same PDP sponsor in a region, CMS' analysis focuses on whether there are significant differences in proposed *beneficiary out-of-pocket costs* and/or formularies. It is important to note that, even though a sponsor may submit different formularies for different Part D offerings, all submitted formularies must be sufficiently robust to pass CMS' rigorous formulary reviews and checks and be determined not to discourage enrollment by certain types of beneficiaries. Based on CMS' experience and given statutory actuarial equivalency requirements, CMS does not expect that – absent substantial differences in approved formularies – PDP sponsors can demonstrate *meaningful* differences between plans offering basic prescription drug coverage. *Therefore, CMS believes sponsors should submit only one basic offering (where basic offering includes defined standard, actuarial equivalent and basic alternative drug benefit types) for a stand-alone prescription drug plan in a service area.*

20.8.3 - *Meaningful Differences in Enhanced Alternative Coverage Options*
(Rev. 14, Issued; 09-30-11, Effective: 09-30-11, Implementation: 09-30-11)

When evaluating for differentiation among an organization's plan offerings, CMS will scrutinize enhanced benefit designs that add little or no additional value to its basic offering. CMS has found that it is difficult for beneficiaries to distinguish between plan offerings of the same sponsor when cost-sharing and premiums are similar between the enhanced and basic drug plan offering. CMS recognizes that sponsors may have purposefully established plan benefit designs to address different utilization patterns among sub-groups of beneficiaries and in order to segment risk. However, CMS is concerned that some "low-additional-value" enhanced offerings are not understood by beneficiaries in terms of expected value and may not be meaningfully different from the basic offering.

CMS will evaluate enhanced plans to identify those enhanced plan offerings with meaningful increases in value over basic plan offerings. CMS will announce its meaningful differences evaluation methodology and expectations for plan sponsors via the annual payment notice and call letter. To prepare for negotiations with CMS, Part D sponsors should consult the annual payment notice and call letter when preparing multiple plan bids for the upcoming plan year.

CMS will request that PDP sponsors with plan benefit packages that are not substantially different from each other either withdraw or enhance a bid in order to ensure that all offerings are, in fact, *meaningfully* different. It is CMS' experience, based on this analysis *that* PDP sponsors typically must offer substantive coverage in the coverage gap as a supplemental benefit in order to demonstrate that one enhanced alternative plan design is *meaningfully* different from another.

20.8.4 - *Transition Period for Sponsors or Parent Organizations with New Acquisitions*
(Rev. 14, Issued; 09-30-11, Effective: 09-30-11, Implementation: 09-30-11)

PDP sponsors or parent organizations with new acquisitions *on or after June 7, 2010,* will be afforded a period of *2* years to transition their plan offerings to meet the goal of ensuring that the Part D sponsor's offerings are substantially different from one another. PDP sponsors that have completed a new acquisition will be expected to submit to CMS a plan that details how the *2* year transition will take place.

Example: A PDP sponsor (or its parent organization) completing an acquisition of another PDP sponsor in November 20*10* would not be subject to requirements for offering substantially different bids until the 2013 contract year (that is, bids would be due in June 20*11* for the 201*2* program year; transition would occur during 2011 and 2012; and the Part D sponsor or parent would need to ensure that in June 2012, when it submits its bids for program year 2013, all of its bids are for substantially different plans).