

20.11 - CMS EGWP Part D Payment

(Rev.6, Issued: 11-07-08, Effective/Implementation: 11-07-08)

20.11.1 - Direct Subsidy

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The Part D risk adjusted direct subsidy payment for all EGWPs will be based on the national average monthly bid amount and the national base beneficiary premium (not on bids amounts as for plans offered to individual Medicare beneficiaries).

20.11.2 - Reinsurance Subsidies

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In addition, CMS will modify the way catastrophic reinsurance is paid for all EGWPs. CMS will not make a prospective payment for reinsurance, and instead will include all EGWPs in the normal Part D reinsurance reconciliation at year end. Since no prospective payments will have been made during the year, the year-end process will result in the full reinsurance payment being paid to the plan. Since most employers/unions will be providing enhanced drug coverage through supplemental arrangements (which raises the threshold for catastrophic coverage), the reinsurance payments to these PDP sponsors are expected to be small as a result of the application of the True Out of Pocket Costs (TrOOP) rule. See [chapter 5](#), section 30 (Incurred / “True Out-of-Pocket” (TrOOP) Costs), of this manual.

20.11.3 - Low-Income Subsidies

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Information concerning low-income subsidy requirements as they relate to EGWPs is set forth in section 20.12.

20.11.4 - Risk Sharing Arrangements (“Risk Corridors”)

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Risk corridor payments assist PDP sponsors entering a new market without any experience in mitigating any losses or gains by sharing these losses or gains with Medicare. Risk corridor payments are not available for EGWPs.

The following table summarizes the differences in payment between EGWPs and plans offered to individual Medicare beneficiaries.

	<u>Part D EGWP Payments</u>			
<u>Plan Types</u>	Direct Subsidy	Low-Income Premium Subsidy and Cost Sharing Amounts	Reinsurance	Risk-Sharing
	42 CFR 423.329(a)(1)	42 CFR 423.780 42 CFR 423.329(c)	42 CFR 423.329(c)	42 CFR 423.336
Part D Calendar Year Plans	The national average monthly bid amount is multiplied by the individual's risk score. This amount is then reduced by the rounded base beneficiary premium (\$27.90 for 2008)	<p>Payment methodology is the same as for plans offered to individual Medicare beneficiaries, except that the rounded base beneficiary premium (\$27.90 for 2008), will be used in the low-income premium subsidy regional benchmark comparison.</p> <p>Note that beginning in 2008, because of the elimination of the requirement to submit Part D EGWP bids, Low-Income Cost Sharing (LICS) amounts will be paid retrospectively at year-end reconciliation (rather than prospectively as in 2006 and 2007). See section 20.12.2 below.</p>	Reinsurance is paid retrospectively at year-end reconciliation (rather than being paid prospectively).	Not Available
Part D Non-Calendar Year Plans	Same as above (payments are on calendar year basis; plan may be administered on non-calendar year basis)	Same as above	No reinsurance payments.	Not Available