20.10 - Part D EGWP Cost Sharing

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

In general, a PDP offered to individual Medicare beneficiaries can offer actuarially equivalent standard, basic alternative or enhanced alternative prescription drug coverage (i.e., coverage that differs from defined standard prescription drug coverage) if certain actuarial equivalence standards are met. For example, 42 CFR 423.104(e)(5) requires that the coverage be designed to provide for the payment of costs incurred for covered Part D drugs equal to the initial coverage limit defined in 42 CFR 423.104(d)(3) ($2,510 in 2008) that is equal to or greater than what a PDP offering defined standard prescription drug coverage would pay between such limit and the deductible at section 42 CFR 423.104(d)(1) ($275 in 2008). (Throughout that range, defined standard prescription drug coverage covers on average 75 percent of the costs and beneficiaries pay on average 25 percent.) See Pub. 100-18, chapter 5, sections 20.3.2, 20.4.1 and 20.4.2, for more information.

Employer/union group health plan coverage has often differed from the defined standard benefit design in Part D. For example, many arrangements offer lower deductibles or provide coverage for claims incurred in the Part D coverage gap. By contrast, within the deductible and the initial coverage limit range, these designs may provide somewhat less coverage than defined standard prescription drug coverage under Part D. Therefore, to provide beneficiaries with more choices and enable employer/union group health plans to continue offering Part D eligibles their familiar coverage, CMS has waived the 42 CFR 423.104(e)(5) prong of the actuarial equivalence test for EGWPs offered exclusively to employer/union group health plan Part D eligibles. Absent this waiver, this provision requires defined standard coverage for costs incurred between the deductible and initial coverage limit.

However, this guidance is not intended to waive other actuarial equivalence standards in 42 CFR 423.104(e), including (but not limited to) the requirement in 42 CFR 423.104(e)(3) that the total or gross value of the coverage be at least equal to the total or gross value of defined standard coverage and the requirement in 42 CFR 423.104(e)(2) regarding catastrophic reinsurance coverage. Thus, for example, an EGWP that requires beneficiary coinsurance that on average is greater than 25 percent may still satisfy actuarial equivalence by instead offering a lower deductible, or by providing coverage above the initial coverage limit, if the gross value coverage standard, the catastrophic coverage, and other requirements are satisfied.