

RetireeFirst

Navigating Medicare in 2024/2025:
CMS Updates, IRA Impacts, and Key Considerations

Welcome!

Meet the Presenters



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Agenda

1. CMS Advance Notice – MA Implications
2. Inflation Reduction Act – Part D Implications
3. Actions for Plan Sponsors to Consider
4. Q&A



CMS Advance Notice – MA Implications

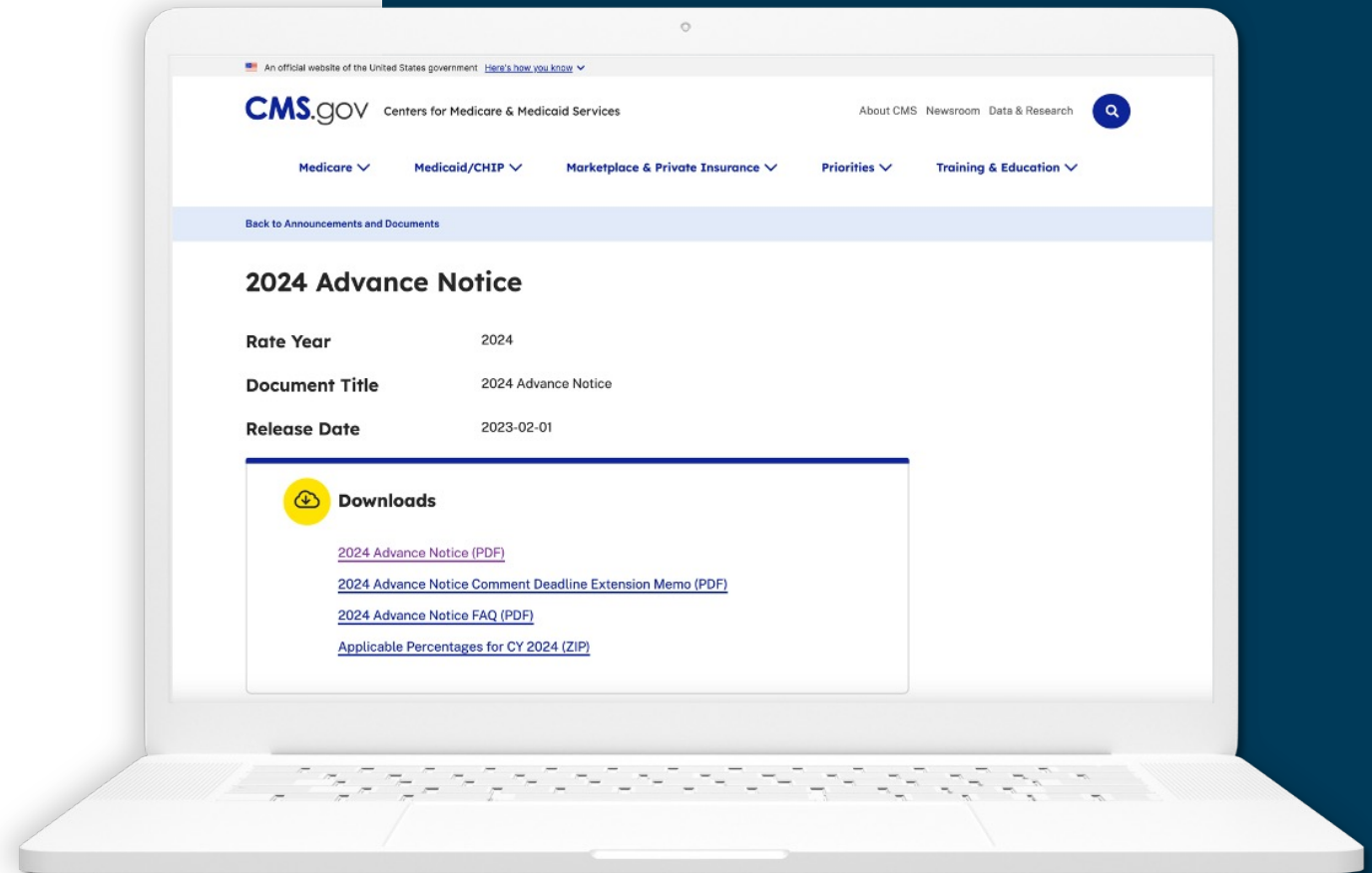
CMS Advance Notice

What It Is

The Advance Notice is provided annually and serves as a window into what the Centers for Medicare & Medicaid Services (CMS) is planning to change in terms of benefits and payment to the carriers for Medicare Advantage and Part D plans.

How It Is Used

Carriers use the notice to develop their initial financial and operational models, which will help them determine benefit offerings and rates. The Advance Notice also allows stakeholders to provide comments, feedback, and questions to CMS around any issues and concerns.



CMS Updates: Medicare Advantage (MA) Payments

The Advance Notice includes a preliminary overview of CMS's MA payment methodology with defined adjustments to help carriers understand what CMS is proposing to pay them.

Two Key Headwinds:

1

Risk Adjustment Model

- ICD9 to ICD10 Coding Change
 - Streamlined disease categories
 - Reduction in number of codes available for some key disease states
- Creates pressure on risk scores three-year phase-in

2

Growth Rate Calculation

- CMS prediction of growth trends
- Removal of medical education costs
- Advance Notice does not include 4Q23 utilization

What This Could Mean for Plan Sponsors

MA payment methodologies drive the payment from CMS to the carriers.

Changes in CMS payments could:

Drive changes to premiums

Drive changes to benefit offerings

Timeline & Key Dates in 2024

JANUARY 31
Advance Notice
Proposed Payment, rules,
and methodology for
2025 Medicare Advantage
and Part D Programs

APRIL 1
Final Notice
CMS publishes the Final
Notice; carriers will be able to
fine-tune some of their
financial and operational
models leading to the
changes they will need to
make for 2025

LATE JULY /EARLY AUGUST
**CMS releases National
Average Bid Amount**
Based on this release, plans
are able to determine the direct
subsidy amount

MARCH 1
Feedback Due
Feedback to CMS due
from carriers and
other stakeholders

JUNE 2
Individual Bids Due
Final individual bids are
due to CMS from the
carriers

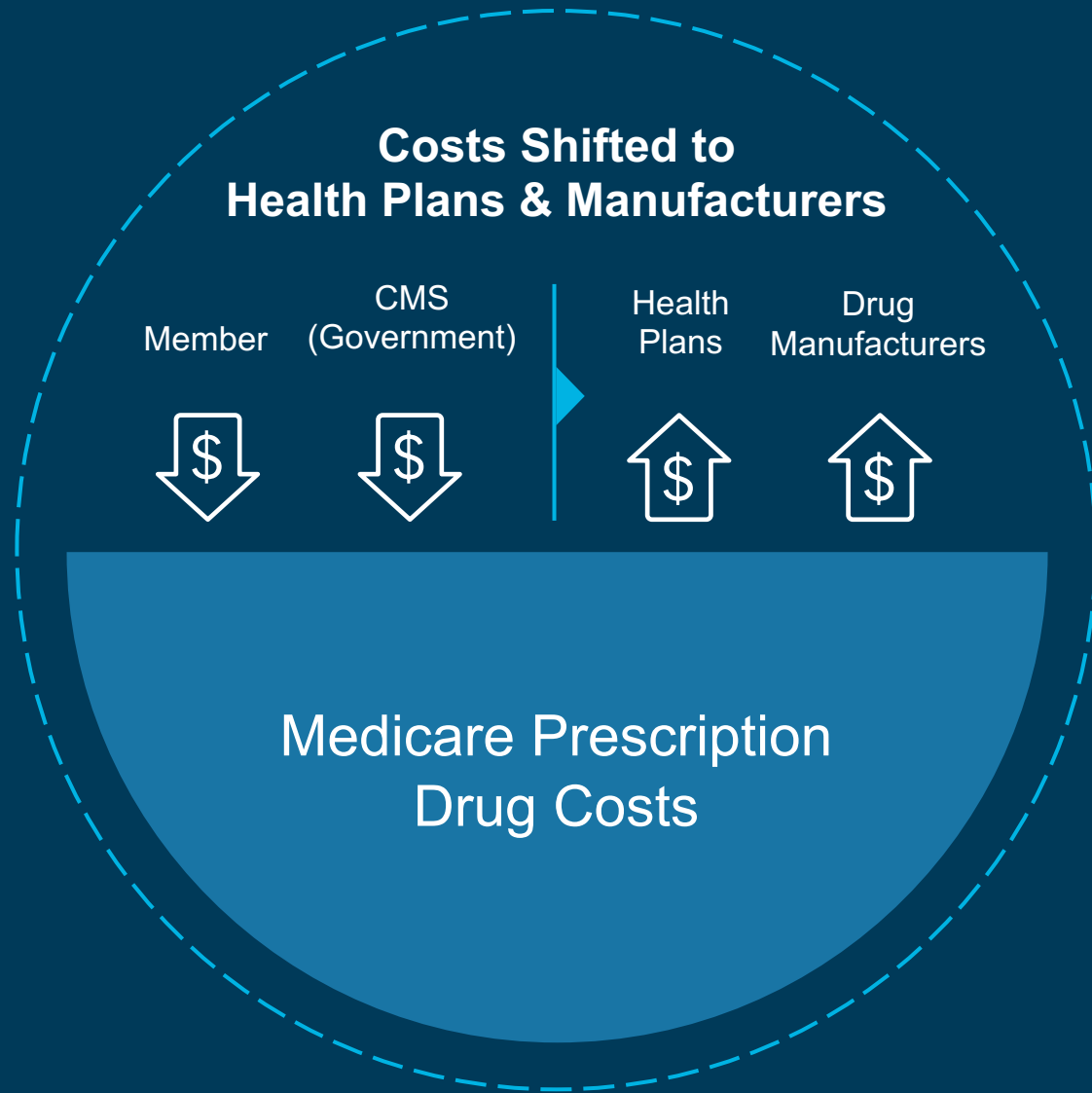
OCTOBER 15 –DECEMBER 7
Open Enrollment
Medicare open enrollment for
plans going into effect on
January 1, 2025



Inflation Reduction Act – Part D Implications

IRA Overview

The Inflation Reduction Act (IRA) of 2022 initiated reductions to: prescription drug costs for Medicare individuals and the federal government's drug spend.



Recap:

2023

2024

Out-of-pocket insulin prices are capped at \$35/month, requiring rebates from drug companies if drug prices rise faster than inflation, and reducing adult vaccine costs with expanded coverage.

Member co-pay in catastrophic coverage is \$0.

2025 IRA: Key Changes



Changes to Part D Phases & Contributions

Coverage gap phase eliminated

Members will most likely move to catastrophic quicker

Carriers now more reliant on Direct Subsidy vs reinsurance, putting more risk on plans



\$2,000 Annual Out-of-Pocket Spending Cap

Calculation appears to be significantly different from the calculation for the current member TrOOP (True out-of-pocket)

Increased number of members moving into catastrophic coverage

Group members expected to have less than \$2,000 out of pocket



Risk Scores Likely to Decrease

Risk score model moves dollars from non-low income to low income

Most group members are non-low income

Decreased payments to plans



Medicare Prescription Payment Plan (M3P)

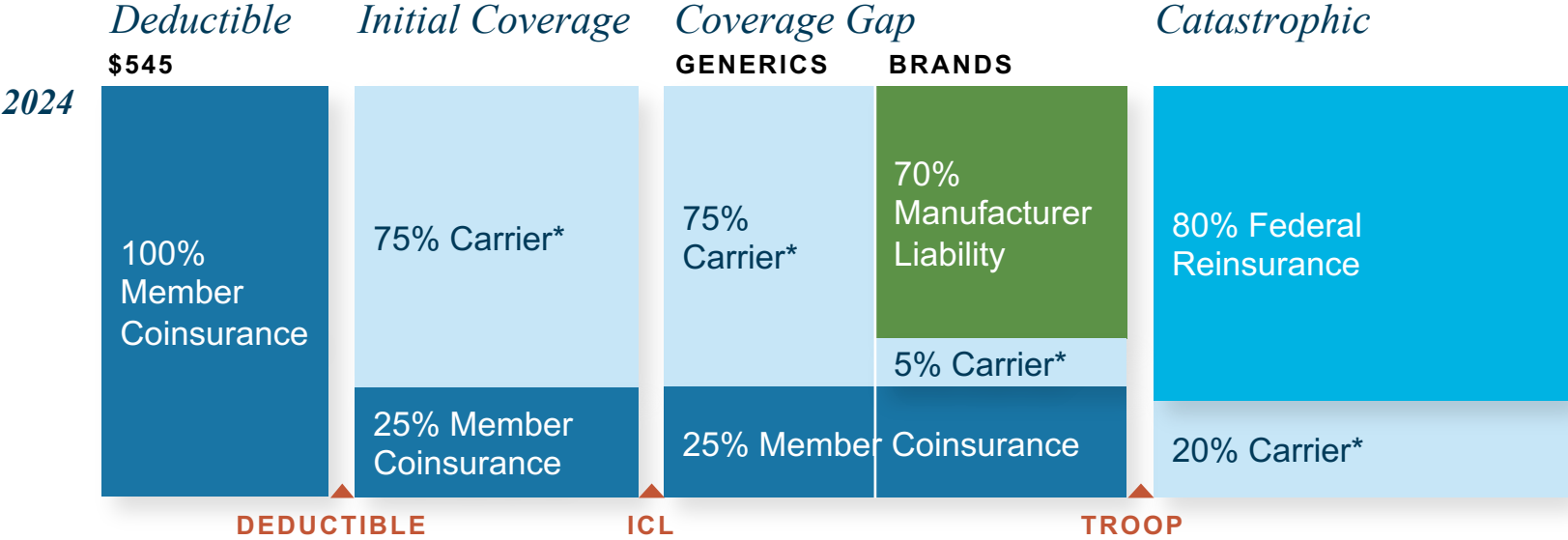
Option allowing members to spread their out of pocket drug out over a year

Members pay nothing at the pharmacy and will be billed by their plan

Does not reduce out of pocket costs

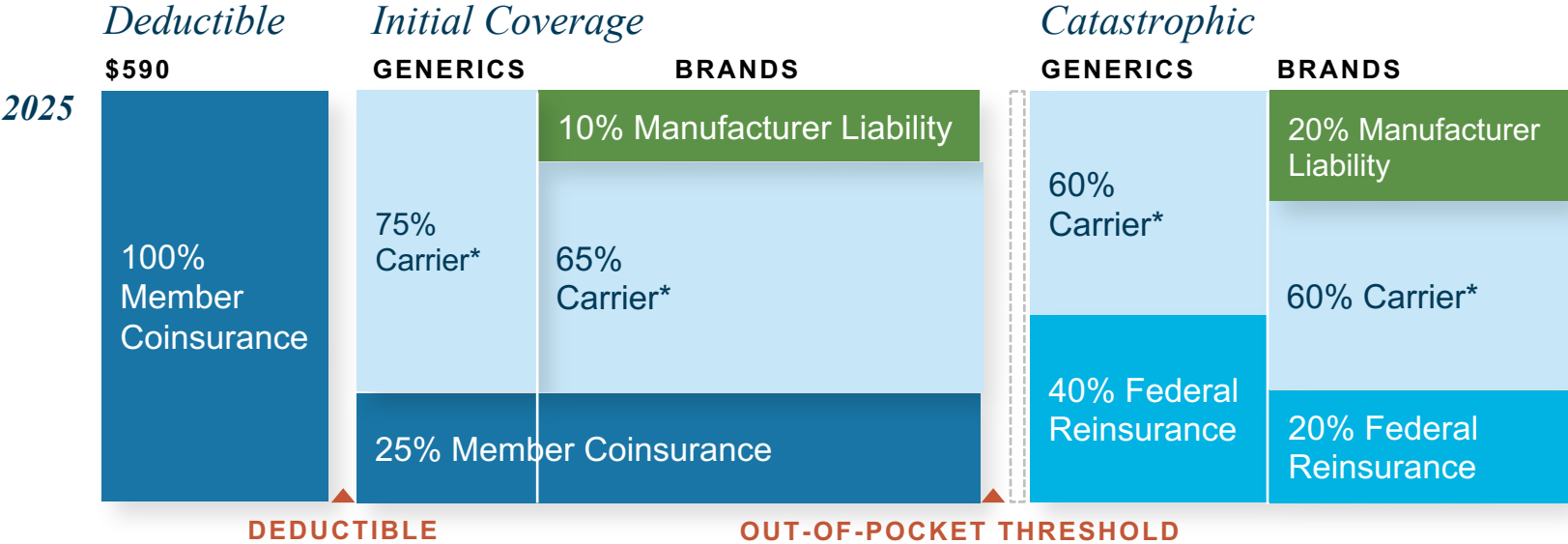
CMS still finalizing details

2025 IRA: Contribution Changes to Part D



Key

- Member contribution
- Carrier* contribution
- Manufacturer contribution
- Federal (CMS) contribution



* Includes any plan sponsors directly contracted with CMS.

2025 IRA: \$2,000 Annual Out-of-Pocket Spending Cap

Group members are expected to have less than \$2,000 in annual out-of-pocket costs.

Calculation for the \$2,000 member out-of-pocket spending cap appears to be significantly different from the calculation for the current member TrOOP (True out-of-pocket).

EXAMPLE A Accumulation/Calculation of the \$2,000 Member Out-of-Pocket Costs

Gross Drug Cost	\$1000
CMS Defined Standard Benefit Copay	\$250
Group Member Actual Copay	\$50
Out-of-Pocket Accumulation	\$250

EXAMPLE B Accumulation/Calculation of the \$2,000 Member Out-of-Pocket Costs

Gross Drug Cost	\$1000
CMS Defined Standard Benefit Copay	\$250
Group Member Actual Copay	\$333
Out-of-Pocket Accumulation	\$333

IRA: Looking Ahead to 2026

Drug Price Negotiation Starting in 2026

For the first time, CMS will negotiate the prices of certain high-expenditure, single-source drugs without generic or biosimilar competition directly with manufacturers. The first 10 drugs were selected with an effective date of 1/1/2026 (Eliquis, Jardiance, Entresto).

These drugs are used to treat some of the most common diseases:

- Diabetes
- Heart disease
- Arthritis
- Psoriasis
- Blood clot prevention
- Cancers

CMS will publish any agreed-upon negotiated prices for the selected drugs by September 1, 2024; those prices will come into effect starting January 1, 2026.

In 2022 alone, around
9M seniors
and other Medicare
beneficiaries spent
\$3.4B+
out-of-pocket on the 10
drugs selected for
negotiation

What This Could Mean for Plan Sponsors

Some of these changes and/or enhancements could include the introduction of alternative Part D formularies and/or alternative benefit designs including copay structure.

Payment methodology restructuring may have an impact on the timing when carriers can provide rates.

Some plans may need to look at benefit and formulary changes to help mitigate high premium increases. Plans with the most potential impact have:

- Higher utilization
- Higher drug costs
- High specialty utilization
- Lower generic utilization
- Coinsurance vs copays

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Impact/Considerations to Plans Considering Self-Funded EGWP

Impact

- Member out of pocket at \$2,000 and plan will be responsible for costs greater than \$2,000
- Members will move to catastrophic quicker
- Very little to no reinsurance since CMS is reducing its contribution to reinsurance from 80% to 20% and plan liability increasing from 20% to 60%
- Need to rely on the monthly direct subsidy
- Potential reduction in rebates

Considerations

Consider moving to fully insured EGWP:

- Risk moves from employer to carrier
- Unknown impacts due to the IRA changes
- Cash Flow—all subsidies are included in a fully insured EGWP annual premium and employer does not need to wait for CMS to pay out

Impact/Considerations to Retiree Drug Subsidy Plans

Impact

Plan sponsors may need to enhance their benefits.

Reference Plan

Prior to 2025, the reference plan was the defined standard assuming no gap coverage. In 2025, the reference plan is the same as the 2025 defined standard.

Manufacturer Discounts

RDS plans cannot take advantage of the Manufacturer discounts provided under the Discount Program.

Rebates

Potential reduction in rebates due to price negotiation.

	2024	2025
Threshold & Cost Limit Changes		
Cost Threshold	\$545	\$590
Cost Limit	\$11,200	\$12,150

Considerations

- **Actuarial review needed of current plan design**
- CMS continues to provide less and less support of RDS
- Transition to fully insured Part D or MAPD plan
 - Elimination of RDS subsidy filing and creditable coverage notification efforts
 - Shifts risk from plan to carrier
 - Financials for EGWP Part D plans still more beneficial than RDS
 - Manufacturer discount and subsidies



Actions for Plan Sponsors to Consider

Key Takeaways

1

Understand
CMS and IRA
changes impacting
both Medicare
Advantage and
Medicare Part D

2

*Begin
planning*
for 2025 benefit
offerings early

3

Strategize
with your
consultant/broker
and other Medicare
experts about
approaches and
options

4

Evaluate
product, benefit
and formulary
options and pricing
with your carrier
and advisors

RetireeFirst

Q&A

We would love to hear from you.

Website: RetireeFirst.com/webinars

Email: info@RetireeFirst.com

**Book a Meeting
with One of Our
Advisors:**



Resources

Access links to valuable content:

- This Presentation, in PDF format
- The [CMS Updates Brief](#), in PDF format
- [RetireeFirst.com](#): Client Case Studies, Videos, Blogs, News, and more