

DEPARTMENT OF HEALTH & HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard  
Baltimore, Maryland 21244-1850



**CENTER FOR MEDICARE**

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**DATE:** July 31, 2018

**TO:** All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

**FROM:** Demetrios Kouzoukas  
Principal Deputy Administrator and Director, Center for Medicare

**SUBJECT:** Annual Release of Part D National Average Bid Amount and Other Part C & D Bid Information

CMS is announcing today that the Part D national average monthly bid amount for 2019 is \$51.28, the 2019 Part D base beneficiary premium is \$33.19, and the *de minimis* amount is \$2. Please see the attached notice for more detailed information concerning the 2019 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, the Part D regional low-income premium subsidy amounts, the Medicare Advantage regional PPO benchmarks, Medicare Advantage employer group waiver plan (EGWP) regional payment rates, and information on the income-related monthly adjustment amounts for enrollees in Part D prescription drug plans who have incomes above certain threshold amounts.

Detailed information regarding the *de minimis* amount is attached in a separate memo. The memo contains instructions and a timeline for completing rebate reallocation and volunteering to waive the *de minimis* amount. Plans will have from Tuesday, July 31, 2018 until 11:59 PM Pacific Daylight Time on Tuesday, August 7, 2018 to complete rebate reallocation. Note that bids may be resubmitted for rebate reallocation multiple times prior to this deadline. Furthermore, plans will have from Wednesday, August 8, 2018 until 11:59 PM Pacific Daylight Time on Monday, August 13, 2018 to inform CMS of their intent to participate in the voluntary *de minimis* program.

DEPARTMENT OF HEALTH AND HUMAN SERVICES  
Centers for Medicare & Medicaid Services  
7500 Security Boulevard, Mail Stop N3-26-00  
Baltimore, MD 21244



## OFFICE OF THE ACTUARY

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**DATE:** July 31, 2018

**TO:** All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors

**SUBJECT:** Annual Release of Part D National Average Bid Amount and other Part C & D Bid Related Information

Today we are releasing the 2019 Part D national average monthly bid amount, the Medicare Part D base beneficiary premium, information on the income-related monthly adjustment amounts for enrollees in Part D prescription drug plans who have incomes above certain threshold amounts, the Part D regional low-income premium subsidy amounts, the Medicare Advantage regional PPO benchmarks, and the Medicare Advantage employer group waiver plan (EGWP) regional payment rates.

Below we describe the determination of these amounts. The regional low-income premium subsidy amounts and the regional MA benchmarks can be downloaded from the CMS web site at: <http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/RegionalRatesBenchmarks2019.pdf>.

### **Part D National Average Monthly Bid Amount**

CMS has calculated the national average monthly bid amount for 2019 in accordance with section 1860D-13(a)(4) of the Social Security Act (“the Act”), codified in 42 CFR §423.279. For each coverage year, CMS computes the national average monthly bid amount from the applicable Part D plan bid submissions in order to calculate the base beneficiary premium, as provided in 42 CFR §423.286(c).

The national average monthly bid amount is a weighted average of the standardized bid amounts for each stand-alone prescription drug plan and MA-PD plan described in section 1851(a)(2)(A)(i) of the Act. The weights are based on the number of enrollees in each plan. The weight for each plan bid is a percentage calculated with the numerator equal to the number of Part D eligible individuals enrolled in the plan in the reference month (as defined in 42 CFR §422.258(c)(1)) and the denominator equal to the total number of Part D eligible individuals enrolled in the reference month in all applicable Part D plans. Per section 1860D-13(a)(4)(A) of the Act, the calculation does not include bids submitted by MSA plans, MA private fee-for-service plans, specialized MA plans for special needs individuals, PACE programs under section 1894, any “fallback” prescription drug plans, and plans established through reasonable cost

reimbursement contracts under section 1876(h) of the Act. The reference month for the 2019 calculation was June 2018.

The national average monthly bid amount for 2019 is \$51.28.

## **Part D Base Beneficiary Premium**

The base beneficiary premium is equal to the product of the beneficiary premium percentage and the national average monthly bid amount. The beneficiary premium percentage (“applicable percentage”) is a fraction, with a numerator of 25.5 percent and a denominator equal to 100 percent minus a percentage equal to (i) the total reinsurance payments that CMS estimates will be paid for the coverage year, divided by (ii) that amount plus the total payments that CMS estimates will be paid to Part D plans based on the standardized bid amount during the year, taking into account amounts paid by both CMS and plan enrollees.

In accordance with section 1860D-13(a) of the Act, codified in 42 CFR §423.286, Part D beneficiary premiums are calculated as the base beneficiary premium adjusted by the following factors: (i) the difference between the plan’s standardized bid amount and the national average monthly bid amount; (ii) an increase for any supplemental premium; (iii) an increase for any late enrollment penalty; (iv) a decrease for Medicare Advantage Prescription Drug Plans (MA-PDs) that apply MA A/B rebates to buy down the Part D premium; and (v) elimination or decrease with the application of the low-income premium subsidy.

The Part D base beneficiary premium for 2019 is \$33.19.<sup>1</sup>

## **Income-Related Monthly Adjustment Amounts**

Before consideration of premium adjustments based on income, Part D enrollee premiums vary from plan to plan and are calculated by comparing each plan’s approved Part D bid to the national average monthly bid amount. A plan’s basic Part D premium is equal to the base beneficiary premium plus the difference between a plan’s bid and the national average monthly bid amount and may be reduced by MA rebates. (For Part D plans with enhanced alternative coverage, the plan-specific total premium amount includes the premium for supplemental benefits in addition to the basic premium.)

Income-related monthly adjustments took effect beginning January 1, 2011, as required by section 1860D-13(a)(7) of the Social Security Act.<sup>2</sup> Per section 1860D-13(a)(7), if a beneficiary’s “modified adjusted gross income” is greater than the specified threshold amounts (\$85,000 in 2019 for a beneficiary filing an individual income tax return or married and filing a separate return, and \$170,000 for a beneficiary filing a joint tax return), then the beneficiary is responsible for a larger portion of the total cost of Part D benefit coverage. In addition to the normal Part D premium paid to a plan, such beneficiaries must pay an income-related monthly

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<sup>1</sup> As noted above, the actual Part D premiums paid by individual beneficiaries equal the base beneficiary premium adjusted by a number of factors. In practice, premiums vary significantly from one Part D plan to another and seldom equal the base beneficiary premium.

<sup>2</sup> This provision was added by section 3308 of the Patient Protection and Affordable Care Act (P.L. 111-148), as amended by the Health Care and Education Reconciliation Act of 2010 (P.L. 111-152).

adjustment amount. Unlike the normal Part D premium, beneficiaries will not pay the Part D income-related monthly adjustment amounts to Part D plans. Instead, the Part D income-related monthly adjustment amounts will be collected by the federal government.

Shown in the following table are the 2019 Part D income-related monthly adjustment amounts to be paid by beneficiaries who file individual tax returns (including those who are single, heads of households, qualifying widows or widowers with dependent children, or married individuals filing separately who lived apart from their spouses for the entire taxable year), or who file joint tax returns:

| Beneficiaries who file individual tax returns with income: | Beneficiaries who file joint tax returns with income:      | Applicable Percentage | Part D income-related monthly adjustment amount |
|--|--|-----------------------|---|
| Less than or equal to \$85,000                             | Less than or equal to \$170,000                            | N/A                   | \$0.00  |
| Greater than \$85,000 and less than or equal to \$107,000  | Greater than \$170,000 and less than or equal to \$214,000 | 35%                   | \$12.40   |
| Greater than \$107,000 and less than or equal to \$133,500 | Greater than \$214,000 and less than or equal to \$267,000 | 50%                   | \$31.90   |
| Greater than \$133,500 and less than or equal to \$160,000 | Greater than \$267,000 and less than or equal to \$320,000 | 65%                   | \$51.40   |
| Greater than \$160,000 and less than \$500,000             | Greater than \$320,000 and less than \$750,000             | 80%                   | \$70.90   |
| Greater than or equal to \$500,000                         | Greater than or equal to \$750,000                         | 85%                   | \$77.40   |

As specified in section 1860D-13(a)(7), the Part D income-related monthly adjustment amounts are determined by multiplying the standard base beneficiary premium by the following ratios:  $(35\% - 25.5\%)/25.5\%$ ,  $(50\% - 25.5\%)/25.5\%$ ,  $(65\% - 25.5\%)/25.5\%$ ,  $(80\% - 25.5\%)/25.5\%$ , or  $(85 - 25.5\%)/25.5\%$ .

For example:

$$\text{IRMAA}_{50\%} = \$33.19 \times \frac{50\% - 25.5\%}{25.5\%} = \$31.888 \text{ (rounded to } \$31.90\text{)}.$$

In addition, the 2019 Part D income-related monthly adjustment amounts to be paid by beneficiaries who are married but file separate returns from their spouses and live with their spouses at any time during the taxable year, are as follows:

| Beneficiaries who are married and lived with their spouse at any time during the year, but file a separate tax return from their spouse: | Applicable percentage | Part D income-related monthly adjustment amount |
|--|-----------------------|---|
| Less than or equal to \$85,000   | 25%                   | \$0.00  |
| Greater than \$85,000 and less than \$415,000  | 80%                   | \$70.90   |
| Greater than or equal to \$415,000   | 85%                   | \$77.40   |

### **Part D Regional Low-Income Premium Subsidy Amounts**

In accordance with 42 CFR §423.780, full low-income subsidy (LIS) individuals are entitled to a premium subsidy equal to 100 percent of the premium subsidy amount. A Part D plan’s premium subsidy amount is the lesser of the plan’s premium for basic coverage or the regional low-income premium subsidy amount (LIPSA).

The regional LIPSA is the greater of the low-income benchmark premium amount for a PDP region or the lowest monthly beneficiary premium for a prescription drug plan that offers basic prescription drug coverage in the PDP region. In accordance with section 1860D-14 of the Act and the final rule “Modification to the Weighting Methodology Used to Calculate the Low-Income Benchmark Amount,” published in the Federal Register (73 FR 18176) on April 3, 2008, the low-income benchmark premium amount for a PDP region is a weighted average of the monthly beneficiary premiums for basic prescription drug coverage in the region. The weight for each PDP and MA-PD plan is a percentage calculated with the numerator equal to the number of Part D LIS-eligible individuals enrolled in the plan in the reference month and the denominator equal to the total number of Part D LIS-eligible individuals enrolled in all PDP and MA-PD plans in a Part D region in the reference month.

The Patient Protection Affordable Care Act amends the statute governing the calculation of the LIS benchmark premium amount (see section 3302, as amended by section 1102 of the Health Care and Education Reconciliation Act of 2010). As amended, section 1860D-14(b)(3)(B)(iii) of the Act requires the calculation of the weighted average premium amounts described above using MA-PD basic Part D premiums before the application of Part C rebates each year.

The calculation does not include bids submitted by MA private fee-for-service plans, PACE programs under section 1894, “800 series” plans, and contracts under reasonable cost reimbursement contracts under section 1876(h) of the Act (“Cost Plans”). The reference month for the 2019 calculation was June 2018.

The regional low-income premium subsidy amounts are provided in the file Regional Rates and Benchmarks 2019 which can be accessed on the CMS website through the following link: <http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/RegionalRatesBenchmarks2019.pdf>.

## MA Regional PPO Benchmarks

Per section 1858(f)(2) of the Act, the standardized PPO benchmark for each MA region is a blend of two components: (i) a statutory component consisting of the weighted average of the county capitation rates across the region for each appropriate level of star rating; and (ii) a competitive, or plan-bid, component consisting of the weighted average of all of the standardized A/B bids for regional MA PPO plans in the region. (Such regional MA plan bids relate to the benefits covered under Parts A and B of Medicare.) The two components are then blended for each region, with the statutory component reflecting the national market share of traditional Medicare and the regional MA plan-bid component reflecting the market share of all MA organizations in the Medicare population nationally. In other words, the weights used to combine the statutory and competitive components of the benchmark are the same for all regions and are equal to the national enrollment percentages for traditional Medicare and all MA plans. For 2019, the national weights applied to the statutory and plan-bid components are 64.71 percent and 35.29 percent, respectively.

The separate weighted-average statutory component and weighted-average competitive component in each region are determined based on the following weights:

- The weighting for the statutory component is based on all MA eligible individuals in the region—i.e., all Medicare beneficiaries who are either in the traditional, fee-for-service Medicare program or enrolled in MA plans and who are entitled to benefits under Part A and enrolled in Part B.
- The weighting for the plan-bid component is based on the enrollment in regional MA plans in the region for the reference month of June 2018. (That is, the weight for each plan’s bid is based on the plan’s market share in the region.)

As stated in the *Advance Notice of Methodological Changes for Calendar Year 2019 for Medicare Advantage Capitation Rates, Part C and Part D Payment Policies and 2019 Call Letter* (“2019 Advance Notice”) and *Announcement of Calendar Year 2019 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter* (“2019 Rate Announcement”) these benchmarks reflect the average bid component of the regional benchmark excluding EGWPs. The statutory and plan-bid components of the MA regional standardized benchmarks for 19 of the 26 MA regions<sup>3</sup> are in the file *Regional Rates and Benchmarks 2019* which can be accessed on the CMS website through the following link: <http://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/RegionalRatesBenchmarks2019.pdf>.

## MA Regional EGWP Payment Rates

In accordance with the payment methodology finalized in the 2019 Rate Announcement, the 2019 EGWP regional payment rates are being released concurrently with this 2019 MA Regional benchmark release. For detailed descriptions of the payment policy finalized for 2019, please

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<sup>3</sup> In the remaining 7 MA regions, there are no regional MA plans.

refer to the 2019 Advance Notice and 2019 Rate Announcement: <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Announcements-and-Documents.html>.

The payment rates for Regional EGWPs are in the file Regional Rates and Benchmarks 2019 which can be accessed on the CMS website through the following link: <https://www.cms.gov/Medicare/Health-Plans/MedicareAdvtgSpecRateStats/Downloads/ratebook2019.zip>.

/s/

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## **MEDICARE PLAN PAYMENT GROUP**

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**DATE:** July 31, 2018  
**TO:** All Medicare Advantage Organizations and Medicare Prescription Drug Plan Sponsors  
**FROM:** Jennifer Harlow, Deputy Director, Medicare Plan Payment Group  
**SUBJECT:** Release of the *De Minimis* Amount and Operational Guidance

In this memo CMS is releasing information regarding the *de minimis* amount, as well as instructions and a timeline for volunteering to waive the *de minimis* amount and completing rebate reallocation. Plans will have from Tuesday, July 31, 2018 until 11:59 PM Pacific Daylight Time on Tuesday, August 7, 2018 to complete rebate reallocation. Starting Wednesday, August 8, 2018 until 11:59 PM Pacific Daylight Time on Wednesday, August 13, 2018, plans can inform CMS of their intent to participate in the *de minimis* program.

### **De Minimis Amount**

Under the Affordable Care Act (ACA) §3303(a), a prescription drug plan (PDP) or Medicare Advantage plan with prescription drug coverage (MA-PD) may volunteer to waive the portion of the monthly adjusted basic beneficiary premium that is a *de minimis* amount above the low-income subsidy (LIS) benchmark for a subsidy eligible individual. The law prohibits CMS from reassigning LIS members from plans who volunteered to waive the *de minimis* amount.

The *de minimis* amount for 2019 will be \$2.

### **Operational Considerations**

#### **Rebate Reallocation - Action by 11:59PM PDT on Tuesday, August 7, 2018**

Plan-specific information, such as plan standardized bid amounts, plan-specific premiums, and MA rebate dollars used, can be found at the following path in HPMS:

*HPMS Home > Plan Bids > Bid Submission > CY 2019 > Review Plan Data > Review Plan Data*

After reviewing the plan-specific information in HPMS, some bids may need to be resubmitted to adjust the MA rebate dollars in the Bid Pricing Tool (BPT). Local MA-only plans (which do not offer Part D) and PDPs (which do not have MA rebates) cannot resubmit their bids during the rebate reallocation period. In the instances when an MA-PD allocates all of its MA rebates to



buy down the Part D basic premium, and the plan's intended target for its Part D basic premium is the low-income premium subsidy amount, the MA-PD may volunteer to use the *de minimis* premium policy.

Guidance on rebate reallocation and premium rounding can be found in Appendix E of the Instructions for Completing the Medicare Advantage Bid Pricing Tool for Contract Year 2019. Changes to the Bid Pricing Tool must be in accordance with the guidance contained in Appendix E.

You will have until 11:59PM PDT on Tuesday, August 7, 2018 to complete any resubmissions.

If resubmitting, the Part D bid pricing tools must reflect the final benchmarks released earlier in this announcement. No pricing changes will be accepted to the Part D bid forms.

As a reminder, CMS expects MAOs to submit CY 2019 plan bids that satisfy our requirements, including but not limited to service category cost sharing, per member per month actuarial equivalence, Total Beneficiary Cost (TBC), and meaningful difference. CMS will not approve plan bids that do not satisfy our requirements.

A "final" actuarial certification must be submitted by all plans. A separate announcement will be released regarding the submission of final actuarial certifications.

If you have questions about this information, please contact Liz Hale at [Elizabeth.Hale@cms.hhs.gov](mailto:Elizabeth.Hale@cms.hhs.gov).

If you have technical questions about your resubmissions, please contact the HPMS Help Desk at 1-800-220-2028 or [hpms@cms.hhs.gov](mailto:hpms@cms.hhs.gov).

**Volunteering to Waive the De Minimis Amount - Action by 11:59PM PDT on Monday, August 13, 2018**

Eligible plans must actively inform CMS of their intent to participate in the *de minimis* program. Plans can inform CMS of their intent to participate starting Wednesday, August 8, 2018 until 11:59 PM PDT Monday, August 13, 2018.

The mechanism to volunteer for *de minimis* can be found at the following path in HPMS:

*HPMS Home > Plan Bids > Bid Submission > CY 2019 > Review Plan Data > Voluntary De Minimis*

The 'Voluntary de minimis' link will be available at the left navigation bar. The default value will be unchecked (i.e., "No"), so eligible plans must select the checkbox to indicate that they want to volunteer to participate.

For questions about *de minimis*, please contact Raghav Aggarwal at [Raghav.Aggarwal@cms.hhs.gov](mailto:Raghav.Aggarwal@cms.hhs.gov).