

Level III Low-Income Cost Sharing In Plans With Deductibles Less Than \$50

Q: Please clarify the lesser of calculation used to determine Low Income Level III (see table below) cost sharing in a plan with a deductible less than \$50. We understand that the lesser of calculation includes the \$50 deductible; thereafter the lesser of calculation is based on 15% of the gross covered drug cost for the prescription. We are asking if the lesser of test is different in a no deductible plan.

Low-income cost sharing subsidy reductions

Level of low-income subsidy	Income category (FPL)	Deductible	Initial coverage	Coverage gap	Catastrophic coverage
Level I	$\leq 100\%$ and full dual	\$0	\$1 generic \$3 brand	\$1 generic \$3 brand	\$0
Level II	$< 135\%$ or $> 100\%$ and full dual	\$0	\$2 generic \$5 brand	\$2 generic \$5 brand	\$0
Level III	$< 150\%$	\$50	15% co-insurance	15% co-insurance	\$2 generic \$5 brand
Institutionalized full dual	Full-benefit dual eligible	\$0	\$0	\$0	\$0

A: Yes, the lesser of test for Level III low-income beneficiaries is plan specific. Section 423.782(b)(2) of the Part D final rule states that the low-income cost sharing subsidy for low income level III beneficiaries is a 15% coinsurance “after the annual deductible under the plan”. If a plan has no deductible there is no deductible in the lesser of test; the test is based on 15% only. In other words if a plan has no deductible as part of its approved plan benefit package (PBP) then the beneficiary has first dollar coverage with no deductible involved in the low-income cost sharing calculation. If the plan includes a deductible the lesser of test also includes the deductible; after the deductible is met in the test, subsequent lesser of calculations are based on 15% only. In a few cases the plan deductible is less than \$50 but greater than zero. The lesser of calculation in those plans uses the actual amount of the plan deductible. For example, if a plan deductible were \$40, a \$40 deductible would be included in the lesser of test.

To summarize, to determine Level III Low Income cost sharing, the plan must first calculate the plan cost share and the appropriate low income cost-share and then apply the lower amount. Until the deductible is satisfied in the lesser of test the Low Income Level III formula is

$$\text{(plan deductible)} + 0.15 * \text{gross covered drug cost}$$

After the deductible is met, the Low Income Level III formula is

$$0.15 * \text{gross covered drug cost}$$

Please note that year to date total covered drug cost, not TrOOP, satisfies deductibles in Part D. The examples below show how to calculate Low Income Level III cost-sharing in deductible plans and in a no deductible plan. For deductible plans we show two claims to illustrate the calculations before and after the deductible is satisfied in the test.

	Plan Type	(a)	(b)	(c)	(d)	(e)	(f)
		Plan Deductible	Year to Date Covered Drug Cost	Negotiated Price	Plan Cost Share	Low Income Level III cost share	Beneficiary cost share Lesser of (2) or (3)
1A	Deductible (Defined Standard Plan)	\$250.00	\$0.00	\$100.00	\$100.00	\$57.50 ¹	\$57.50
1B			\$50.00	\$100.00	\$100.00	\$15.00 ²	\$15.00
2	No Deductible	\$0.00	\$0.00	\$100.00	\$25.00	\$15.00 ²	\$15.00
3A	Deductible (Basic Alternative Plan)	\$40.00	\$0.00	\$100.00	\$65.00 ³	\$40.00	\$40.00
3B			\$40.00	\$100.00	\$25.00	\$15.00 ¹	\$15.00

$$^1 \$57.50 = (\$50.00) + (.15 * \$50.00)$$

$$^2 \$15.00 = .15 * \$100.00$$

$$^3 \$65.00 = \$40.00 + (\$25.00)$$