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

CENTER FOR MEDICARE

DATE: October 14, 2022

TO: All Part D Sponsors

FROM: Jennifer R. Shapiro, Director, Medicare Plan Payment Group

SUBJECT: Reporting Estimated Remuneration Applied to the Point-of-Sale Price

The Centers for Medicare & Medicaid Services (CMS) is providing Prescription Drug Event (PDE) reporting guidance to Part D sponsors related to the application of rebates and other price concessions (collectively referred to in this memo as "remuneration") at the point of sale (POS). This guidance is applicable in all phases of the Part D benefit, including the coverage gap.

When the Part D sponsor applies remuneration at the POS, any POS-remuneration must first be applied to the ingredient cost. Then, if any POS-remuneration amount remains after the ingredient cost has been completely eliminated, that amount must be applied to the dispensing fee, vaccine administration fee, and sales tax, in that order, after the ingredient cost.[1]

As a reminder, through 2023, Part D sponsors are required to apply pharmacy price concessions to the negotiated price if they can reasonably be determined at the POS. Beginning January 1, 2024, the negotiated price must reflect the lowest possible reimbursement a network pharmacy will receive for a drug and include all pharmacy price concessions.[2] This memorandum addresses how POS-remuneration must be applied and reported both through 2023 and from 2024 on.

CMS will change the name of field 40 on the PDE layout from *Estimated Rebate at POS* to *Estimated Remuneration at POS* Amount (ERPOSA) prior to the 2024 implementation of the final rule noted above.[3] Upon implementation of the final rule in 2024, the updated description in

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[1] See also the June 1, 2007 HPMS memorandum, *Reporting Estimated Rebates Applied to the Point-of-Sale Price*, (available here). Payment of vaccine administration under Part D for covered Part D vaccines began January 1, 2008. See section 1860D–2(e)(1)(B) of the Social Security Act, which was amended by Section 202(b) of the Tax Relief and Health Care Act of 2006. See also 73 FR 20485 (April 15, 2008).
[2] See 87 FR 27704 (May 9, 2022).
[3] See also the May 31, 2022 HPMS memorandum, *Proposed Updates to the Prescription Drug Event (PDE) File Layout; Seeking Feedback*, (available here).

the Definition/Values column for field 40 on the PDE Inbound and Outbound File Layouts will be changed to:

> This field contains the estimated amount of rebates or other price concessions that the plan sponsor is required to apply, or has elected to apply, to the negotiated price as a reduction in the drug price made available to the beneficiary at the point of sale (POS). For PDEs with a DOS between 1/1/2024 and 12/31/2024, this estimate must reflect the maximum amount of any contingent payments or adjustments that the plan sponsor might receive from a network pharmacy that would serve to decrease the total amount that the plan sponsor pays for the drug, i.e., all pharmacy price concessions. This estimate must also reflect the rebate amount that the plan sponsor reasonably expects to receive from a pharmaceutical manufacturer or other entity and has elected to apply to the negotiated price.

For payment reconciliation, Part D sponsors are required to report all applicable remuneration for covered Part D drugs on the Direct and Indirect Remuneration (DIR) Report for Payment Reconciliation, including the actual remuneration amounts that were estimated and applied at the POS. When determining the appropriate DIR amount for the calculation of allowable reinsurance costs and adjusted allowable risk corridor costs, CMS will subtract the amounts reported in the ERPOSA field for covered Part D drugs from the total DIR amount (for covered Part D drugs) reported on the DIR Report for Payment Reconciliation. In the Payment Reconciliation System (PRS), this interim calculated value is the plan's Net Part D Covered DIR Amount (NDDIRA) and is found on Field 22 of the DET record on the PRS Reconciliation Results Report to Plans. NDDIRA will capture any difference between the estimated and actual remuneration and ensure that only price concessions which were not already accounted for in the negotiated prices reported to CMS are included in the net DIR amount used to calculate allowable reinsurance costs and adjusted allowable risk corridor costs.

Below, we provide additional examples that illustrate how Part D sponsors must report PDEs when applying remuneration at the POS.[4] In addition, the examples demonstrate how Part D sponsors are required to report the actual remuneration amounts received on the DIR Report for Payment Reconciliation. Note that in some of the examples below we discuss remuneration received from pharmacies, while in others we do not specify the source of the POS-remuneration; this is because we aim to demonstrate how the guidance on the application of POS-remuneration remains the same regardless of the source of the remuneration.[5]

Although the following examples use benefit year 2023 Part D benefit parameters, these examples are also intended to demonstrate how to operationalize the requirement to apply all pharmacy price concessions at the POS as required beginning with contract year 2024. We are using the 2023 benefit parameters in these examples because the 2024 parameters will not become available until Spring 2023 (note again that in 2023, the application of pharmacy price

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[4] See also the May 31, 2022 HPMS memorandum, *Proposed Updates to the Prescription Drug Event (PDE) File Layout; Seeking Feedback*, (available here). Beginning in 2025, pharmacy price concessions will be reported in the new "Pharmacy Price Concessions at POS" PDE field rather than the current ERPOSA field.

[5] The only exception being that point-of-sale pharmacy price concessions will be reported in the new Pharmacy Price Concessions at POS PDE field instead of the ERPOSA field beginning in 2025 – see footnote 4.

concessions at the POS is required only for those price concessions that can reasonably be determined at the POS).

Example 1: Defined Standard Plan in the Gap

A Part D beneficiary is enrolled in a defined standard plan, has year-to-date gross covered drug costs of $4,800.00, and the True-Out-of-Pocket (TrOOP) Accumulator is $1,676.75. The beneficiary is not eligible for the low-income subsidy (LIS) and does not have additional prescription drug coverage through a third party. The beneficiary purchases a covered Part D applicable drug with a drug cost of $100.00, of which $9.00 is the dispensing fee and $1.00 is the sales tax.

The Part D sponsor charges the pharmacy a maximum price concession of $30.00 for this drug. Prior to 2024, the sponsor elects to apply the entirety of this pharmacy price concession at the POS to arrive at the negotiated price. Beginning in 2024, the sponsor must apply this pharmacy price concession at the POS to arrive at the negotiated price, which must equal the lowest possible reimbursement of $70.00 ($100.00 - $30.00). Therefore, the rest of the example applies in the same way for before and after 2024.[6]

The POS-remuneration of $30.00 reduces the ingredient cost of $90.00 to $60.00. Because the Part D sponsor has not elected to apply any other remuneration to the POS price, the dispensing fee, vaccine administration fee, and sales tax remain unaffected. The plan sponsor uses the negotiated price of $70.00 to determine beneficiary cost-sharing, the covered D plan paid amount (CPP), and the Reported Gap Discount. The discount eligible cost is equal to the remaining ingredient cost ($60.00) plus the remaining sales tax amount ($1.00). Reported Gap Discount is equal to 70% of the discount eligible cost ($61.00 * 0.70 = $42.70). The beneficiary is responsible for 25% of the ingredient cost, dispensing fee, and sales tax ($70.00 * 0.25 = $17.50). CPP is equal to 75% of the dispensing fee and 5% of the ingredient cost and sales tax ($9.00 * 0.75 + $61.00 * 0.05 = $9.80). The POS-remuneration of $30.00 is reported in the ERPOSA field and does not count towards TrOOP or total gross covered drug costs.

The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	Value
Total Gross Covered Drug Cost Accumulator	$4,800.00
True Out of Pocket Accumulator	$1,676.75
Beginning Benefit Phase	G
Ending Benefit Phase	G
Ingredient Cost Paid	$60.00
Dispensing Fee Paid	$9.00
Sales Tax	$1.00

[6] The only exception being that pharmacy price concessions applied to the negotiated price at the POS will be reported in the new Pharmacy Price Concessions at POS PDE field instead of the ERPOSA field beginning in 2025 – see footnote 4.

Vaccine Administration Fee	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$70.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$17.50
Covered D Plan Paid Amount (CPP)	$9.80
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Non-Covered Plan Paid Amount (NPP)	$0.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$0.00
Reported Gap Discount	$42.70
ERPOSA	$30.00

After the POS, even though the pharmacy could have paid a maximum price concession of $30, the pharmacy actually pays the plan $5.00 in pharmacy price concessions for this PDE. The Part D sponsor will report the actual remuneration amount of $5.00 on the DIR Report for Payment Reconciliation. Assuming no other DIR exists, the plan's NDDIRA is equal to -$25.00 ($5.00 - $30.00).

Example 2: Enhanced Alternative (EA) Plan with a copay in the Gap

A Part D beneficiary is enrolled in an enhanced alternative plan, has year-to-date gross covered drug costs of $4,750.00, and the TrOOP Accumulator is $1,035.00. The beneficiary is not eligible for the LIS and does not have additional prescription drug coverage through a third party. The beneficiary purchases a covered Part D applicable drug with a drug cost of $100.00, of which $10.00 is the dispensing fee. The beneficiary has a $20.00 copay for brand drugs in the coverage gap.

The Part D sponsor charges the pharmacy a maximum price concession of $15.00 for this drug. Prior to 2024, the sponsor elects to apply the entirety of this pharmacy price concession at the POS to arrive at the negotiated price. Beginning in 2024, the sponsor must apply this pharmacy price concession at the POS to arrive at the negotiated price, which must equal the lowest possible reimbursement of $85.00 ($100.00 - $15.00). Therefore, the rest of the example applies in the same way for before and after 2024.[7]

The POS-remuneration of $15.00 reduces the ingredient cost of $90.00 to $75.00. Because the Part D sponsor has not elected to apply any other remuneration to the POS price, the dispensing fee, vaccine administration fee, and sales tax remain unaffected. The plan sponsor uses the negotiated price of $85.00 to determine beneficiary cost-sharing, CPP, NPP, and the Reported Gap Discount. The plan liability is the difference between the negotiated price of the drug and the beneficiary copay ($85.00 - $20.00 = $65.00). The beneficiary copay is 23.53% of the negotiated price of the drug ($20.00 ÷ $85.00); therefore, the beneficiary pays 23.53% of the ingredient cost ($75.00 * 0.2353 = $17.65) and 23.53% of the dispensing fee ($10.00 * 0.2353 = $2.35). The discount eligible cost is the drug cost in the gap minus the total plan liability and the beneficiary liability for the dispensing fee. In this example, the discount eligible cost is $85.00 - $65.00 (plan liability) - $2.35 (beneficiary cost-sharing for the dispensing fee in the gap) =

[7] The only exception being that pharmacy price concessions applied to the negotiated price at the POS will be reported in the new Pharmacy Price Concessions at POS PDE field instead of the ERPOSA field beginning in 2025 – see footnote 4.

$17.65. The Reported Gap Discount is $12.35 (0.70 * $17.65). The beneficiary cost-sharing is $7.65 ($17.65 - $12.35 + $2.35). The CPP is calculated by summing the plan's liability for the ingredient cost and the plan's liability for the dispensing fee ($75.00 * 0.05 + $10.00 * 0.75 = $11.25). NPP is the negotiated price of the drug in the gap minus beneficiary liability, Reported Gap Discount, and CPP ($85.00 - $7.65 - $12.35 - $11.25 = $53.75). The POS-remuneration of $15.00 is reported in the ERPOSA field and does not count towards TrOOP or total gross covered drug costs.

The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	Value
Total Gross Covered Drug Cost Accumulator	$4,750.00
True Out of Pocket Accumulator	$1,035.00
Beginning Benefit Phase	G
Ending Benefit Phase	G
Ingredient Cost Paid	$75.00
Dispensing Fee Paid	$10.00
Sales Tax	$0.00
Vaccine Administration Fee	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$85.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$7.65
Covered D Plan Paid Amount (CPP)	$11.25
Non-Covered Plan Paid Amount (NPP)	$53.75
Patient Liability Reduction due to Other Payer Amount (PLRO)	$0.00
Reported Gap Discount	$12.35
ERPOSA	$15.00

After the POS, the plan receives the maximum price concession of $15.00 for this PDE. The Part D sponsor will report the actual remuneration amount of $15.00 on the DIR Report for Payment Reconciliation. Assuming no other DIR exists, the plan's NDDIRA is equal to $0.00 ($15.00 - $15.00).

Example 3: DS Plan in the Gap where the POS remuneration exceeds the ingredient cost and dispensing fee.

A Part D beneficiary is enrolled in a defined standard plan, has year-to-date gross covered drug costs of $4,950.00, and the TrOOP Accumulator is $1,819.25. The beneficiary is not eligible for the LIS and does not have additional prescription drug coverage through a third party. The beneficiary purchases a covered Part D applicable drug with a drug cost of $100.00, of which $5.00 is the dispensing fee and $5.00 is the sales tax.

The plan sponsor applies a $96.00 POS-remuneration to this PDE. Therefore, the negotiated price in this example is $4.00 ($100.00 - $96.00). Consistent with the 2007 ERPOSA reporting guidance,[8] the remuneration must first be applied to the ingredient cost, then to the dispensing fee, and lastly to the sales tax (there is not a vaccine administration fee associated with this PDE). When applied in this order, the total remuneration exceeds the ingredient cost, dispensing fee, and a portion of the sales tax.

The POS-remuneration of $96.00 reduces the ingredient cost of $90.00 to $0.00 and the dispensing fee from $5.00 to $0.00. The remaining remuneration of $1.00 reduces the sales tax from $5.00 to $4.00. The plan sponsor uses the negotiated price of $4.00 to determine beneficiary cost-sharing, CPP, and the Reported Gap Discount. The discount eligible cost is equal to the sum of the remaining ingredient cost and sales tax amounts ($4.00). Reported Gap Discount is equal to 70% of the discount eligible cost ($4.00 * 0.70 = $2.80). The beneficiary is responsible for 25% of the remaining sales tax ($4.00 * 0.25 = $1.00). CPP is equal to 5% of the sales tax ($4.00 * 0.05 = $0.20). The POS-remuneration of $96.00 is reported in the ERPOSA field and does not count towards TrOOP or total gross covered drug costs.

The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	**Value**
Total Gross Covered Drug Cost Accumulator	$4,950.00
True Out of Pocket Accumulator	$1,819.25
Beginning Benefit Phase	G
Ending Benefit Phase	G
Ingredient Cost Paid	$0.00
Dispensing Fee Paid	$0.00
Sales Tax	$4.00
Vaccine Administration Fee	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$4.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$1.00
Covered D Plan Paid Amount (CPP)	$0.20
Non-Covered Plan Paid Amount (NPP)	$0.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$0.00
Reported Gap Discount	$2.80
ERPOSA	$96.00

After the POS, the plan receives $96.00 in remuneration for this PDE. The Part D sponsor will report the actual remuneration amount of $96.00 on the DIR Report for Payment Reconciliation. Assuming no other DIR exists, the plan's NDDIRA is equal to $0.00 ($96.00 - $96.00).

Example 4: DS Plan in the Initial Coverage Phase (ICP) and the beneficiary is eligible for the LIS.

[8] See HPMS memorandum, *Reporting Estimated Rebates Applied to the Point-of-Sale Price*, June 1, 2007 (available here)

A Part D beneficiary is enrolled in a defined standard plan, has year-to-date gross covered drug costs of $695.00, and the TrOOP Accumulator is $552.50. The beneficiary is eligible for the category 3 LIS and does not have additional prescription drug coverage through a third party. The beneficiary purchases a covered Part D generic drug with a drug cost of $100.00, of which $10.00 is the dispensing fee.

The plan sponsor elects to apply $50.00 of remuneration at the POS to this PDE. Therefore, the negotiated price in this example is $50.00 ($100.00 - $50.00).

The POS-remuneration of $50.00 reduces the ingredient cost of $90.00 to $40.00. Because the Part D sponsor has not elected to apply any other remuneration to the negotiated price, the dispensing fee, vaccine administration fee, and sales tax remain unaffected. The plan sponsor uses a negotiated price of $50.00 to determine beneficiary cost-sharing, CPP, and LICS. In this example, a non-LIS beneficiary would be responsible for 25% of the negotiated price ($50.00 * 0.25 = $12.50). A category 3 LIS beneficiary will pay $0.00 for this drug. Therefore, the LIS beneficiary's cost sharing is less than the non-LIS beneficiary's cost sharing, so the LIS beneficiary pays $0.00, and the LICS amount equals the difference ($12.50 - $0.00 = $12.50). In the defined standard benefit, the plan covers the drug costs not covered by the beneficiary or LICS so CPP is $37.50 ($50.00 - $12.50 - $0.00). The POS-remuneration of $50.00 is reported in the ERPOSA field and does not count towards TrOOP or total gross covered drug costs.

The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	**Value**
Total Gross Covered Drug Cost Accumulator	$695.00
True Out of Pocket Accumulator	$552.50
Beginning Benefit Phase	N
Ending Benefit Phase	N
Ingredient Cost Paid	$40.00
Dispensing Fee Paid	$10.00
Sales Tax	$0.00
Vaccine Administration Fee	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$50.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$0.00
Covered D Plan Paid Amount (CPP)	$37.50
Low-Income Cost-Sharing Subsidy (LICS) Amount	$12.50
Non-Covered Plan Paid Amount (NPP)	$0.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$0.00
Reported Gap Discount	$0.00
ERPOSA	$50.00

After the POS, the plan actually receives $35.00 in remuneration for this PDE instead of the $50 estimated at the POS. The Part D sponsor will report the actual remuneration amount of $35.00

on the DIR Report for Payment Reconciliation. Assuming no other DIR exists, the plan's NDDIRA is equal to -\$15.00 (\$35.00 - \$50.00).

Example 5: EA Plan with a copay in the Gap – LIS beneficiary

A Part D beneficiary is enrolled in an enhanced alternative plan, has year-to-date gross covered drug costs of \$4,750.00, and the TrOOP Accumulator is \$975. The beneficiary is a category 1 LIS beneficiary who has paid the supplemental benefit to enroll in the EA plan. The beneficiary does not have additional prescription drug coverage through a third party. The beneficiary purchases a covered Part D applicable drug with a drug cost of \$100.00, of which \$10.00 is the dispensing fee. The beneficiary has a \$20.00 copay for brand drugs in the coverage gap.

The Part D sponsor charges the pharmacy a maximum price concession of \$15.00 for this drug. Prior to 2024, the sponsor elects to apply the entirety of this pharmacy price concession at the POS to arrive at the negotiated price. Beginning in 2024, the sponsor must apply this pharmacy price concession at the POS to arrive at the negotiated price, which must equal the lowest possible reimbursement of \$85.00 (\$100.00 - \$15.00). Therefore, the rest of the example applies in the same way for before and after 2024.[9]

The POS-remuneration of \$15.00 reduces the ingredient cost of \$90.00 to \$75.00. Because the Part D sponsor has not elected to apply any other remuneration to the POS price, the dispensing fee, vaccine administration fee, and sales tax remain unaffected. The plan sponsor uses the negotiated price of \$85.00 to determine beneficiary cost-sharing, CPP, and NPP. In this example, a non-LIS beneficiary would be responsible for a \$20 copay. A category 1 LIS beneficiary will pay \$10.35 in 2023 for a brand drug in the Coverage Gap. Therefore, the LIS beneficiary cost sharing is less than the non-LIS beneficiary cost sharing, so the LIS beneficiary pays \$10.35, and the LICS amount equals the non-LIS beneficiary cost sharing minus the LIS beneficiary cost sharing (\$20.00 - \$10.35 = \$9.65). This PDE falls in the EA plan's Coverage Gap. LIS beneficiaries are not eligible for the Coverage Gap Discount, and, therefore, required plan liability in the Coverage Gap Phase does not apply. The CPP field on the PDE record will be populated as \$0.00. The negotiated price of the drug (\$85.00) minus the sum of the Patient pay Amount (\$10.35) and the LICS Amount (\$9.65) plus the CPP Amount (\$0.00) equals the NPP Amount (\$65.00). The remuneration of \$15.00 is reported in the ERPOSA field and does not count towards TrOOP or total gross covered drug costs.

The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	**Value**
Total Gross Covered Drug Cost Accumulator	\$4,750.00
True Out of Pocket Accumulator	\$975.00
Beginning Benefit Phase	G
Ending Benefit Phase	G
Ingredient Cost Paid	\$75.00

[9] The only exception being that pharmacy price concessions applied to the negotiated price at the POS will be reported in the new Pharmacy Price Concessions at POS PDE field instead of the ERPOSA field beginning in 2025 – see footnote 4.

Dispensing Fee Paid	$10.00
Sales Tax	$0.00
Vaccine Administration Fee	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$85.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$10.35
Covered D Plan Paid Amount (CPP)	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$9.65
Non-Covered Plan Paid Amount (NPP)	$65.00
Patient Liability Reduction due to Other Payer Amount (PLRO)	$0.00
Reported Gap Discount	$0.00
ERPOSA	$15.00

After the POS, even though the pharmacy could have paid a maximum price concession of $15, the pharmacy actually pays the plan $0.00 in pharmacy price concessions for this PDE. The Part D sponsor will report the actual remuneration amount of $0.00 on the DIR Report for Payment Reconciliation. Assuming no other DIR exists, the plan's NDDIRA is equal to -$15.00 ($0.00 - $15.00).

Example 6: EGWP plan in the Gap and the OHI benefit charges a higher copay than the DS benefit when the POS remuneration exceeds the ingredient cost.

A Part D beneficiary is enrolled in an EGWP, has year-to-date gross covered drug costs of $5,100.00, and the TrOOP Accumulator is $1,400. The beneficiary is not eligible for the LIS and does have additional prescription drug coverage through an OHI (other health insurance) benefit beyond what is offered from their employer. The beneficiary purchases a covered Part D applicable brand drug with a drug cost of $100.00, of which $10.00 is the dispensing fee. Under the OHI benefit, the beneficiary pays $20.00.

The plan sponsor elects to apply $98.00 of remuneration at the POS to this PDE. Therefore, the negotiated price in this example is $2.00 ($100.00 - $98.00). The plan sponsor would apply the defined standard benefit (option 1) or both benefits (option 2), as applicable based on its arrangements with the employer.

EGWP Option 1:

The POS-remuneration of $98.00 reduces the ingredient cost of $90.00 to $0.00. The remaining remuneration of $8.00 reduces the dispensing fee from $10.00 to $2.00. The plan sponsor uses a negotiated price of $2.00 to determine beneficiary cost-sharing, CPP, PLRO, and the Reported Gap Discount. Because the beneficiary's cost-sharing in the EGWP OHI benefit is greater than in the defined standard benefit, the plan sponsor opts to apply the defined standard benefit instead of the EGWP OHI benefit. The coverage gap discount does not apply to dispensing fees, so the Reported Gap Discount is $0.00. The beneficiary is responsible for 25% of the negotiated price ($2.00 * 0.25 = $0.50), and the plan is responsible for 75% ($2.00 * 0.75 = $1.50). PLRO equals $0.00 because the EGWP OHI benefit was not applied. The POS-remuneration of $98.00 is reported in the ERPOSA field and does not count towards TrOOP or total gross covered drug costs.

EGWP Option 2:

The POS-remuneration of $98.00 reduces the ingredient cost of $90.00 to $0.00. The remaining remuneration of $8.00 reduces the dispensing fee from $10.00 to $2.00. The plan sponsor uses a negotiated price of $2.00 to determine beneficiary cost-sharing, CPP, PLRO, and the Reported Gap Discount. The coverage gap discount does not apply to dispensing fees, so the Reported Gap Discount is $0.00. Even though the beneficiary pays more under the EGWP OHI benefit than the defined standard benefit, the plan sponsor opts to apply the EGWP OHI benefit. Because the beneficiary copay must never exceed the total drug cost (lesser of logic), the beneficiary pays a capped copay of $2.00. PLRO is determined by taking the patient pay amount under the defined standard benefit and subtracting the patient pay amount under the OHI. In this example, the PLRO is -$1.50 ($0.50- $2.00). CPP is equal to 75% of the dispensing fee ($2.00 * 0.75 = $1.50). The POS-remuneration of $98.00 is reported in the ERPOSA field and does not count towards TrOOP or total gross covered drug costs.

The table below illustrates how the plan sponsor would populate the PDE record.

PDE Field	EGWP Option #1 (do not apply OHI benefit)	EGWP Option #2 (apply OHI benefit)
Total Gross Covered Drug Cost Accumulator	$5,100.00	$5,100.00
True Out of Pocket Accumulator	$1,400.00	$1,400.00
Beginning Benefit Phase	G	G
Ending Benefit Phase	G	G
Ingredient Cost Paid	$0.00	$0.00
Dispensing Fee Paid	$2.00	$2.00
Sales Tax	$0.00	$0.00
Vaccine Administration Fee	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$2.00	$2.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00	$0.00

Patient Pay Amount	$0.50	$2.00
Covered D Plan Paid Amount (CPP)	$1.50	$1.50
Non-Covered Plan Paid Amount (NPP)	$0.00	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00	-$1.50
Reported Coverage Gap Discount Amount	$0.00	$0.00
ERPOSA	$98.00	$98.00

After the POS, the plan receives $98.00 in remuneration for this PDE. The Part D sponsor will report the actual remuneration amount of $98.00 on the DIR Report for Payment Reconciliation. Assuming no other DIR exists, the plan's NDDIRA is equal to $0.00 ($98.00 - $98.00).

Please submit questions regarding these updates to PDE-Operations@cms.hhs.gov.

Thank you