

DEPARTMENT OF HEALTH & HUMAN
SERVICES

Centers for Medicare & Medicaid Services

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MEDICARE PLAN PAYMENT GROUP

DATE: May 21, 2026

TO: All Medicare Advantage Organizations, Prescription Drug Plans, Cost Plans,
PACE Organizations, and Demonstrations

FROM: Shruti Rajan, Acting Director, Medicare Plan Payment Group

SUBJECT: Technical Guidance on Zero-Dollar Cost Sharing Under Part D for Dual-Eligible
Special Needs Plans (D-SNPs) and Non-Part D Wrap Coverage

The Centers for Medicare & Medicaid Services (CMS) has received technical questions from Medicare Advantage (MA) organizations offering dual-eligible special needs plans (D-SNPs), as well as other interested parties, regarding permissible benefit structures for D-SNPs that wish to offer zero-dollar cost sharing under Part D.

Zero-Dollar Cost Sharing Under Part D

If an MA organization wishes to offer a D-SNP with zero-dollar cost sharing *within* the Part D benefit, it must buy down the entire 25% actuarial equivalent cost sharing amount using MA rebate dollars in the bid. MA organizations offering D-SNPs may not apply rebate dollars or supplemental benefits solely to the statutory nominal low-income (LI) copayment owed by certain full-subsidy beneficiaries while still receiving low-income cost-sharing subsidies (LICS) for the remainder of the cost sharing owed under the plan.¹

This is because, to determine the LICS amount owed for a specific claim, section 1860D-14(c)(1)(B) of the Social Security Act (the Act) requires Part D plans, including D-SNPs, to reduce the cost sharing otherwise imposed under a plan by the amount of the applicable LICS

¹ Statutory LI copayments are described in sections 1860D-14(a)(1)(D)(ii) and (iii) of the Act (42 U.S.C. 1395w-114(a)(1)(D)(ii) and (iii)).

subsidy for an LI beneficiary. Accordingly, 42 CFR 423.329(d)(1) defines the LICS payment amount as the difference between the cost sharing for a non-LI beneficiary and the nominal LI copayment. Therefore, any supplemental Part D benefit must be applied before LICS can be determined.

Because LICS is always calculated as the difference between the cost sharing for a non-LI beneficiary (as reduced by any supplemental Part D benefit offered under the plan) and the nominal LI copayment, the nominal LI copayment cannot be eliminated unless a plan completely eliminates cost sharing for non-LI beneficiaries through the application of supplemental benefits. Accordingly, the Act prevents Part D plans, including D-SNPs, from buying down the nominal LI copayment without forfeiting LICS.

Furthermore, the uniform benefit provision at 42 CFR 423.104(b)(2) prohibits Part D plans, including D-SNPs, from waiving the nominal LI copayment. As such, arrangements that are designed to waive the nominal LI copayment are not permissible.

For purposes of Plan Benefit Package (PBP) data entry, the MA organization that intends to fully buy down LI cost sharing *within* the Part D benefit will choose Option #3 “This DSNP: Provides for a buy-down by the Part D Sponsor of the nominal Part D low-income copayments to \$0 on any formulary tier(s), thus forfeiting LICS payments” in the Plan Characteristics Special Needs Plan section. Subsequently, an entry of \$0 in the MRx Section of the PBP for the applicable tier(s) will trigger an attestation requiring the MA organization to confirm its intent to buy down the nominal LI copay and thus forfeit LICS for those tiers with a \$0 entry.

Non-Part D Wrap Coverage Options

As CMS advised during the 2025 actuarial user group call series, non-Part D wrap coverage may, in certain circumstances, be used to provide coverage of the nominal LI copayment without requiring the plan to forfeit LICS.² Specifically:

- **State-only funds:** States may use state-only funds to buy down the nominal LI copayment when such payments are not covered under Medicaid and are not claimed for federal Medicaid matching funds. In this scenario, an MA organization offering a D-SNP would include the nominal LI copayment amounts in the plan bid submitted to CMS and then enter into a contract with the state to provide wrap coverage that buys down the nominal LI copayment outside of the Part D benefit. Under this arrangement, any LI cost-sharing amounts paid by the state will *not* be treated as incurred costs for Part D drugs that and therefore do not count towards true out-of-pocket costs (TrOOP).

For purposes of PBP data entry, the MA organization that intends to use this arrangement will choose Option #2 “This DSNP: Provides a buy-down of the nominal Part D low-income copayments that apply without forgoing LICS payments and does not count

² www.cms.gov/files/document/cy-2026-actuarial-bid-questions.pdf

toward TrOOP (for example, when funded by state-only dollars at all, including Medicaid matching dollars)” in the Plan Characteristics Special Needs Plan section.

- **Medicaid value-added services:** Medicaid value-added services, as defined at 42 CFR 438.3(e)(1), may also be used to buy down a beneficiary's nominal LI copayment. To be permissible, the value-added service must be funded exclusively by plan profits or the sponsor's own funds and must not be funded by any Medicare, Medicaid, or state-only funds. This arrangement is permissible because it reduces LI cost-sharing amounts through non-Part D wrap coverage provided outside of the Part D benefit. Under this arrangement, any LI cost-sharing amounts paid by the value-added service *will* be treated as incurred costs for Part D drugs that are "reimbursed through insurance."

For purposes of PBP data entry, the MA organization that intends to use this arrangement will choose Option #1 “This DSNP: Provides a buy-down of the nominal Part D low-income copayments that apply without forgoing LICS payments and counts as TrOOP (for example, Medicaid Value-Added Services or Qualified SPAPs)” in the Plan Characteristics Special Needs Plan section.

Note that these examples do not necessarily represent a complete list of permissible arrangements for reducing cost-sharing amounts for LI beneficiaries through non-Part D wrap coverage provided outside the Part D benefit.

Important Considerations for Plan Sponsors

To the extent that MA organizations offering D-SNPs are considering other arrangements to reduce cost-sharing amounts for LI beneficiaries through non-Part D wrap coverage provided outside of the Part D benefit, they should be aware that, if such coverage fully eliminates the nominal LI copayment and is funded by a payer that is not TrOOP-eligible (for example, state-funded wrap coverage), LI beneficiaries who would otherwise owe nominal copayments will not reach the catastrophic phase of the Part D benefit during the plan year. By contrast, if the coverage is provided by a TrOOP-eligible payer, such beneficiaries will reach the catastrophic phase.³

CMS strongly encourages MA organizations offering D-SNPs to consult with legal counsel to ensure that any arrangements under consideration to reduce LI cost-sharing amounts through non-Part D wrap coverage comply with all applicable federal laws and regulations designed to prevent fraud, waste, and abuse. This includes, but is not limited to, applicable provisions of federal criminal law, the False Claims Act (31 U.S.C. §§ 3729 et seq.), and the anti-kickback provision of Section 1128B of the Act.

³ When a beneficiary is in the catastrophic phase, CMS pays reinsurance to the Part D plan for a portion of the cost of any additional Part D drugs purchased by the beneficiary.