DEPARTMENT OF HEALTH & HUMAN SERVICES
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CENTER FOR MEDICARE

TO: All Part D Sponsors

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SUBJECT: Enhancement to the Medicare Plan Finder tool and Modification of the CY 2012
            Pricing Data Requirements

DATE: October 7, 2011

CMS is pleased to announce the Medicare Plan Finder (MPF) will have a new pricing
enhancement launched during the spring 2012 refresh. While the MPF is robust and provides
beneficiaries with information on which they can easily compare plans, this pricing enhancement
will improve drug cost estimates.

This enhancement will be referred to as "floor" pricing. "Floor" pricing is used when a sponsor
negotiates a minimum price that a given pharmacy will be paid for filling a prescription. "Floor"
pricing is often used for very low cost generics. Currently, the MPF calculates costs based on
the unit cost of a drug times the quantity dispensed plus the dispensing fee. This enhancement
will allow the calculation of the co-pay amount, co-insurance, or calculated cost when a "floor"
price applies to a given drug. Examples of floor pricing scenarios are illustrated below:

- For display purposes, the floor price helps determine the starting point of the Copay/Co-
  insurance calculations, as well as provides the display value for the Full Price column in the
  cost chart. If the "floor" price is lower than the calculated drug cost, the MPF will use the
  "floor" price as the starting price for the calculation. If the calculated drug cost is greater
  than the "floor" price, the MPF will use the calculated drug cost as its starting point. For
  example: Plan A has set a $3.00 "floor" price with Pharmacy Z. Plan A's unit cost for Drug
  A is $0.02 and Pharmacy Z's dispensing fee is $1.50. The cost of a 30 day supply of Drug A
  is $2.10 (($0.02*30) + $1.50). Since Plan A's "floor" price of $3 is higher than the
  calculated price, the starting point for the copay/co-insurance calculations will be the $3
  "floor price".

- In this same example, if a plan's co-pay is $10, the beneficiary will pay the $3.00 floor price
  because the floor price is lower than the co-pay. However, if the plan's copay fell below
  $3.00 (for example, a $0 copay for selected generics), then the lesser than rule would apply,
  and the plan's copay would be displayed.

- Alternatively, in this same example, if a plan's co-insurance is 20%, the MPF would calculate the co-insurance based on the negotiated price ("floor" price of $3.00). Therefore, the MPF would display $0.60 (20% co-insurance * $3.00 floor price).

To implement this enhancement, the CY 2012 Pricing Data Requirements will be updated. CMS expects the updated requirements will be released in November 2011. The updated requirements will provide revised file layouts as well as clear direction on how the pricing enhancement will be implemented using the pricing data files.

In addition, for the CY2013 MPF display, CMS plans to implement a "ceiling" price mechanism in September 2012. "Ceiling" pricing occurs when an organization has established the highest possible price the beneficiary will pay for a drug below the co-pay. The "ceiling" price is designated for a drug based on a specific pharmacy, dosage, and quantity and applies to every phase of the Part D benefit. Additional instructions regarding this pricing enhancement will be included with the CY2013 Pricing Data Requirements.

If you have questions regarding this memo, emails should be directed to PlanFinderQA@cms.hhs.gov . Thank you for your continued support.