

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



CENTER FOR MEDICARE

DATE: May 31, 2022

TO: All Medicare Advantage Organizations and Part D Plan Sponsors

FROM: Amy Larrick Chavez-Valdez
Director, Medicare Drug Benefit and C & D Data Group

Kathryn A. Coleman,
Director, Medicare Drug & Health Plan Contract Administration Group

SUBJECT: Contract Year 2023 Bid Review Out-of-Pocket Cost Models – New Generic Drugs

CMS issued the CY 2023 Bid Review Out-of-Pocket Cost (OOPC) Model on April 8, 2022, based on the March CY 2023 Formulary Reference File (FRF). This was consistent with prior plan years, where the model that CMS makes available for the bid review is based on the March FRF, the initial FRF for that plan year. While new generics may become available between March and May, the time constraints associated with the development and testing of the OOPC model do not permit for the issuance of a subsequent model. The production of the OOPC model based on the initial March FRF balances providing Part D sponsors with a model early enough for development and testing of plan designs, while also capturing the vast majority of new generics to incorporate into the model.

For the CY 2023 model, however, we are aware that some new generic drugs that were unable to be incorporated as substitutes in the model have a significant impact on OOPC calculations. For example, if an organization intended to only include the new generics on their formularies and not the brands, they may see their estimated CY 2023 Part D OOPC increase between \$9 and \$12 per month. Further, we estimate that the impact of removing brand Revlimid® accounts for more than 80 percent of this increase. Alternatively, if an organization intended to include the new generics while continuing to cover the brands, they would not receive credit for the generics and may see estimated CY 2023 Part D OOPC about \$1 per month higher.

While it is not feasible to reissue an updated OOPC model to include these new generics, we are notifying Part D sponsors that we understand this impact on Part D Meaningful Difference and Part C Total Beneficiary Cost (TBC) estimates. CMS is creating an updated OOPC model that will be used during the review process to account for coverage of generics that were newly available on the May CY 2023 FRF. Part D sponsors should submit accurate CY 2023 plan benefit and formulary designs as intended to be administered in CY 2023. They should not include branded products for the sole purpose of meeting TBC or Meaningful Difference

requirements. CMS intends to issue this updated OOPC model during the annual bid review in order to assist Part D sponsors during the review process.

Questions:

- For Part C policy related questions, such as Total Beneficiary Cost (TBC), please submit inquiries to [MA Benefits Mailbox](#).
- For Part D policy related questions about meaningful difference, please submit an email to PartDBenefits@cms.hhs.gov.
- For technical questions about the Bid Pricing Tool, please submit an email to Actuarial-Bids@cms.hhs.gov.
- For technical questions about the OOPC models, please submit an email to OOPC@cms.hhs.gov.