Part D Payment Modernization Model
Calendar Year (CY) 2022 Fact Sheet
Updated March 16, 2021

In January 2020, the Centers for Medicare & Medicaid Services (CMS) Center for Medicare & Medicaid Innovation (CMS Innovation Center) launched the Part D Payment Modernization Model (the “PDM Model” or the “Model”) to voluntarily test the impact of a modernized Part D program design that includes flexibilities to reduce beneficiary out-of-pocket costs and overall Part D prescription drug spending. The Model aims to reduce Medicare expenditures while enhancing or preserving quality of care for beneficiaries.

CMS is announcing an updated CY 2022 Model request for applications (RFA). Part D sponsors offering eligible plan types may apply to the Model for CY 2022 regardless of whether they submitted a Notice of Intent by March 1, 2021. Based on stakeholder feedback and other considerations, CMS is not moving forward with two Model design changes discussed in the January 19, 2021 CY 2022 RFA: (1) the Part D Formulary Flexibilities, and (2) removal of downside risk for CY 2022. For CY 2022, the PDM Model will continue to test a modernized Part D payment structure in which participating Part D sponsors take two-sided risk for CMS’ federal reinsurance subsidy spending for participating plan benefit packages (PBPs), relative to their Spending Target Benchmark(s). In addition, as discussed in the updated CY 2022 RFA, the Model will also continue to extend to Model participants the opportunity to adopt the same categories of programmatic flexibilities that were available in CY 2021.

With the release of the updated CY 2022 PDM Model RFA, CMS is announcing the following policies, updates and clarifications:

- All plan types that were eligible to participate in the Model for CY 2021 are eligible to apply to participate in the Model for CY 2022, regardless of whether the Part D sponsor of such plan submitted a CY 2022 Notice of Intent.

- With respect to the Spending Target Benchmark, CMS will require that a minimum threshold apply for all Performance-Based Gains and Losses. This minimum threshold will be applied separately to MA-PDs and PDPs. No Performance-Based Payments for Part D sponsors that achieve Performance-Based Gains will be paid unless this minimum threshold for gains is exceeded. If the threshold is exceeded, CMS would share savings on any gains greater than zero. Likewise, CMS will not collect any Performance-Based Recoveries from Part D sponsors unless the minimum threshold for Performance-Based Losses is exceeded. If the threshold is exceeded, CMS would collect recoveries on any losses greater than zero. CMS has not yet determined the specific minimum threshold percentage for CY 2022, however, this percentage is estimated at 0.5 percent based on historical data. CMS will conduct further analyses on more recent federal reinsurance data to inform the final determination of the CY 2022 minimum threshold amount and will communicate this information in the final CY 2022 contract addendum.

- With respect to Part D Rewards and Incentives Programs, for CY 2022, multiple Part D RI programs are permitted to be offered in a single PBP under each of the PDM, Part D Senior Savings (PDSS), and Value Based Insurance Design (VBID) Models. This means that one PBP might include Part D RI Programs offered under up to three different Models. However, an underlying principle for the requirements for how a single PBP may offer RI Programs under more than one Model is avoidance of overlap and duplication for an enrollee. PDPs and MA-PDs participating in the PDSS Model and MA-PDs participating in the VBID Model, and proposing to also offer Part D RI in a PBP that is in this Model, must also comply with the Part D RI requirements of the PDM Model.

This voluntary Model tests a modernized Part D payment structure that creates new incentives for plans, patients, and providers to choose drugs with lower list prices in order to address rising costs in the Part D program. The Model features two-sided risk on CMS's federal reinsurance subsidy (80 percent of catastrophic phase liability), offering shared savings to Part D sponsors whose federal reinsurance spending under the Model was below a Spending Target Benchmark and sharing losses if their federal reinsurance under the Model was above the Spending Target Benchmark.

The Model also offers Part D sponsors the opportunity to implement several Part D programmatic flexibilities aimed at reducing out-of-pocket costs and improving the quality of care for beneficiaries.

- Allows participating Part D sponsors to create Part D Rewards and Incentives programs to encourage greater enrollee education and engagement between the enrollee and the enrollee's chosen Part D plan;
- Allows participating Part D sponsors to reduce or eliminate cost-sharing on generics and biosimilars for LIS beneficiaries to encourage the use of the most appropriate products;
- Permits participating Part D sponsors to develop more comprehensive and innovative Medication Therapy Management+ (MTM+) programs beyond existing MTM programs;
- Enables participating Part D sponsors to allow enrollees to pay for their prescription cost-sharing over time within the course of the plan year (e.g., installment payments);
- Allows Part D sponsors to include care management/coordination programs to improve the management of drug therapies, including helping to monitor for adverse effects and increasing medication adherence, through a limited initial days' supply for treatment naïve patients where there is a clinical and drug utilization review rationale to do so; and
- Enables increased medication adherence, increased initial determination approvals, and decreased re-determinations by allowing Part D sponsors to increase the standard coverage determination timeframe from 72 to 96 hours.

Additionally, for basic Part D plans with bids above the low-income benchmark, CMS will consider offering Model participants the option of waiving a higher de minimis amount, as necessary.

Overall, through the PDM Model, CMS aims to test better alignment of CMS and plan risk-sharing in Part D to increase Part D market competition, decrease beneficiary out-of-pocket costs, preserve or enhance quality of care for beneficiaries, maintain and ensure affordable access to prescription drugs, and decrease Part D programmatic spending.

Additional information on the PDM Model can be found on the Model website at https://innovation.cms.gov/initiatives/part-d-payment-modernization-model/. The RFA to join the Model for CY 2022 will be made available on the Model website and applications from eligible sponsors will be accepted through April 16th, 2021. More details regarding the application process and the Model's eligibility requirements can be found in the Model's CY 2022 RFA.

For any questions about this Model, please email PartDPaymentModel@cms.hhs.gov