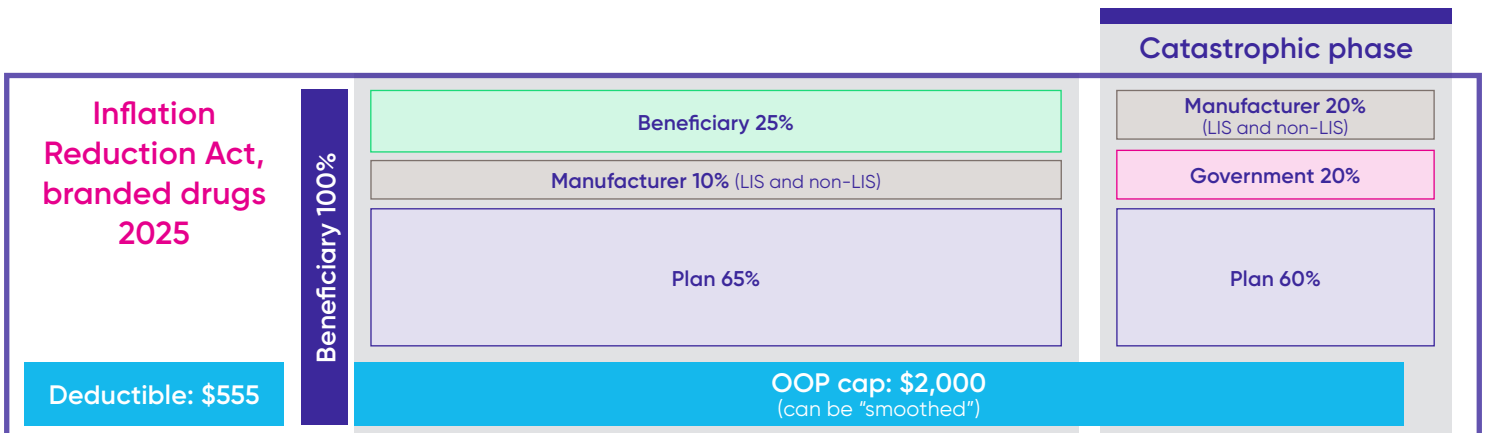
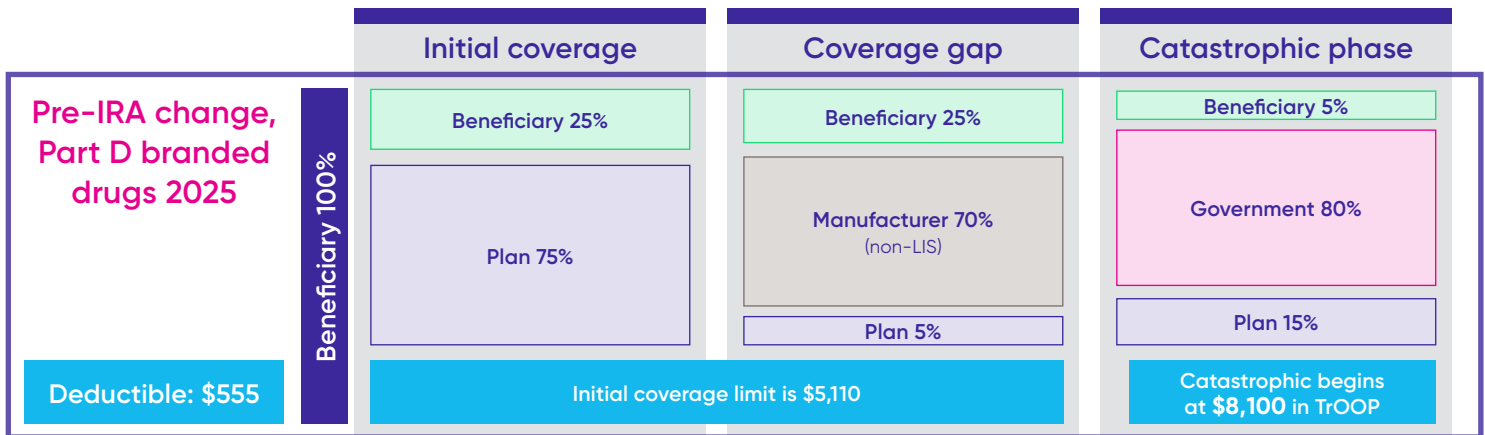


# Smoothing the access road to treatment for Medicare Part D beneficiaries

The Inflation Reduction Act (IRA) will usher in several seismic changes across the Medicare program, ranging from reducing beneficiaries' out-of-pocket (OOP) costs to introducing federal negotiation of drug pricing in Medicare. The most prominent wins for beneficiaries enrolled in the Medicare prescription drug benefit (Part D) include capping OOP drug spending at \$2,000 per year and allowing beneficiaries to "smooth" (spread) their costs out evenly over the remaining months of the plan year.<sup>1</sup> This new policy will have a direct and immediate impact on improving beneficiaries' access to treatments, starting in 2025.

Millions of Medicare beneficiaries rely on high-cost prescription drugs for serious, complex conditions like cancer, rheumatoid arthritis, or hypertension.<sup>2</sup> Under the current Part D benefit design, beneficiaries ineligible for the low-income subsidy (LIS), also known as Extra Help, who reach the current OOP threshold are responsible for 5% of the total cost of their prescription for the remainder of the calendar year. While seemingly minimal, 5% can result in hundreds of dollars on top of the thousands of dollars in OOP costs it took for patients to reach catastrophic coverage. This financial exposure brings a high risk of non-adherence and/or abandonment of prescription drugs.<sup>3</sup>



Based on Medicare Trustees Report, 2022. <https://www.cms.gov/files/document/2022-medicare-trustees-report.pdf>.  
TrOOP - true out-of-pocket (costs include manufacturer coverage discount program and what the patient spends).

# A closer look at the Part D "smoothing" benefit

## How the smoothing provision will work

Starting for plan years beginning in 2025, Part D plans must provide enrollees with the option to elect to pay their cost-sharing under their plan in capped monthly amounts. Plans will determine the maximum monthly amount by dividing the amount of cost-sharing owed by the number of months remaining in the plan year (eg, \$500 over 5 months would be \$100 for the 5 months across August through December). Below is a closer look at how smoothing would help beneficiaries.

### Monthly cost-sharing scenarios

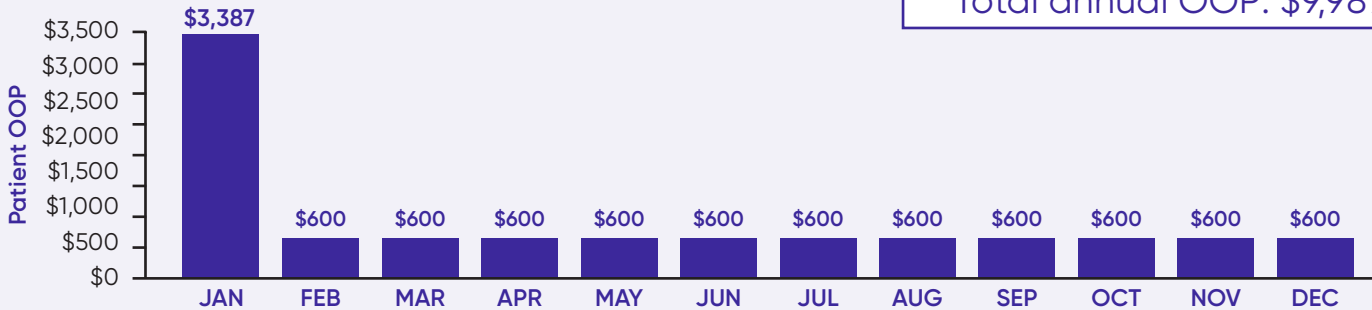
#### Impact of smoothing

#### Scenario 1

Current benefit design without cap and smoothing (2025)

**Patient:** Oncology  
Once-daily drug  
Per-month cost: \$12,000

First month cost: \$3,387  
\$600 each month  
Total annual OOP: \$9,987



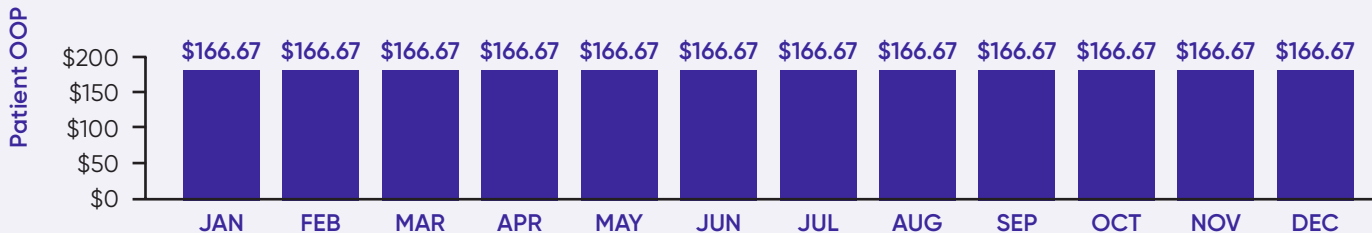
\$9,987 annual OOP cost

#### Scenario 2

IRA \$2,000 OOP cap with smoothing mechanism

**Patient:** Oncology  
Once-daily drug  
Per-month cost: \$12,000

Total annual OOP: \$2,000



\$2,000 OOP cost vs ~\$9,987 OOP cost

## Moving ahead: Clarifying key patient protections

As evidenced by the graphic on the previous page, the smoothing mechanism, in tandem with the annual OOP cap, will likely help alleviate overall costs and the burden of having to pay a high OOP for an initial fill. Additional clarifications to the smoothing policy may be necessary to maximize effectiveness.

- First, for beneficiaries to be fully protected from unforeseen circumstances resulting in a missed payment, a mandatory grace period and hardship exemption should be established to prevent the automatic loss of smoothing for that year and the lock out provision affecting subsequent years.
- Next, due to no fault of their own, beneficiaries may be deemed to have missed a monthly payment and may be disenrolled from the smoothing option with no recourse. This issue should qualify under a health plan's internal and external appeals process.
- Third, the Centers for Medicare & Medicaid Services (CMS) should ensure that enrollees receive education regarding the need to pay monthly smoothing installments in every month of the remaining plan year. These policy updates are a meaningful step in advancing patient protections.

## Conclusion

It is estimated that 1.4 million Medicare Part D beneficiaries will annually benefit from an OOP cap on spending of \$2,000, coupled with a smoothing mechanism.<sup>4</sup> Allowing seniors to spread their costs out evenly over the calendar year brings a sense of predictability and time to budget for other costs and expenditures.

For beneficiaries with high-cost medications, especially from fills early in the plan year, this may mean the difference between adhering to a prescribed drug and skipping a dose. The Medicare Part D benefit is taking a major step forward to modernize and meet the needs of its growing enrollment.

1. 117th Congress. HR 5376. <https://www.congress.gov/117/bills/hr5376/BILLS-117hr5376enr.pdf>
2. Cubanski J, Neuman T. Millions of Medicare Part D enrollees have had out-of-pocket drug spending above the catastrophic threshold over time. <https://www.kff.org/medicare/issue-brief/millions-of-medicare-part-d-enrollees-have-had-out-of-pocket-drug-spending-above-the-catastrophic-threshold-over-time/>
3. Gleason P, Starner CI, Gunderson BW, Schafer JA, Sarran HS. Association of prescription abandonment with cost share for high-cost specialty pharmacy medications. *J Manag Care Pharm*. 2009 Oct;15(8):648-658.
4. Cubanski J, Neuman T, Freed M. How will the prescription drug provisions in the Inflation Reduction Act affect Medicare beneficiaries? <https://www.kff.org/medicare/issue-brief/how-will-the-prescription-drug-provisions-in-the-inflation-reduction-act-affect-medicare-beneficiaries/>