

## CMS Issues Memo on Out-of-Pocket Smoothing

- On July 17, 2023, the Centers for Medicare and Medicaid Services (CMS) released an HPMS memo entitled "Technical Memorandum on the Calculation of the Maximum Monthly Cap on Cost-Sharing Payments Under Prescription Drug Plans" (Smoothing Memo).
- The Smoothing Memo is a high-level summary of statutory provisions and examples of the monthly out-of-pocket (OOP) maximum that Part D enrollees may elect beginning January 1, 2025 when the redesigned Part D benefit under the Inflation Reduction Act (IRA) takes effect. It includes examples of how CMS intends to calculate an enrollee's monthly OOP cap.
- Part D sponsors will be responsible for correctly calculating the monthly caps based on the statutory formulas, determining the amount to be billed (up to the cap), and sending monthly bills to enrollees who have opted into the monthly OOP cap program.
- CMS will develop tools to help people with Medicare and their caregivers learn what monthly payments might look like under the monthly OOP cap program.
- The calculation of the first month of the monthly OOP cap is different than the remaining months of the year. The total monthly payments cannot exceed \$2000 (for 2025) for the plan year.
- If the amount incurred in the first month in the program is less than the monthly cap, the enrollee cannot be billed more than their actual out-of-pocket costs in that first month.
- CMS intends to issue more detailed guidance related to the monthly OOP cap in coming months, on topics including:
  - Requirements on how Part D enrollees can opt into OOP smoothing.
  - Identification of Part D enrollees who are likely to benefit.
  - Pharmacy payment and communication obligations for Part D sponsors.
  - Conditions of enrollee participation.
  - Enrollee outreach and education.
  - Instructions related to bidding.

See the Smoothing Memo for additional details.

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More on This Topic:

- [HPMS Technical Memorandum](#)

For questions, please reach out to [Tyler Thorne](#).