FAQ: Medicare Prescription Payment Plan

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The Inflation Reduction Act (IRA) was passed in 2022, and included significant changes to Medicare benefit design and prescription drug access. The following FAQ explains two important provisions of the IRA, both going into effect on January 1, 2025: the new Medicare Prescription Payment Plan (MPPP) and the Medicare Part D $2,000 out-of-pocket (OOP) cap. This FAQ document is intended to support Ryan White HIV/AIDS Program (RWHAP) and AIDS Drug Assistance Program (ADAP) administrators, case managers, and other staff as they work with RWHAP clients with Medicare Part D prescription drug coverage to decide if enrolling in the MPPP is a good option for them. You can find additional resources on Medicare at TargetHIV.org/ace/medicare.

1. What is the Medicare Prescription Payment Plan?

The MPPP is an optional program for Medicare beneficiaries to help pay Medicare Part D OOP costs in monthly amounts over the course of a plan year. This process of spreading out OOP prescription drug costs is often referred to as "smoothing." The program is designed to help beneficiaries with the cost-sharing for expensive drugs. All Medicare prescription drug plans – including both standalone Medicare Part D plans and Medicare Advantage plans with prescription drug coverage – are required to offer beneficiaries the option to enroll into the program. If an enrollee chooses to "smooth" their OOP prescription drug costs, they will pay monthly amounts directly to the Medicare Part D or Advantage plan, instead of paying the entire OOP amount at the pharmacy. In addition to their monthly Medicare Part D premium bill, enrollees who opt into the MPPP will receive a separate bill for their "smoothed" prescription drug costs.

This program does not lower the total annual cost-sharing a person will pay for their prescription drugs; instead, it allows cost-sharing to be smoothed over the plan year. The program is available to anyone with Medicare prescription drug coverage, but is expected to be most helpful for enrollees who incur high cost-sharing earlier in the plan year. The benefits of the MPPP for RWHAP clients are likely limited, and clients should discuss the program with their case manager or other RWHAP staff before deciding to enroll (see questions 3, 4, 5 and 6 for more information).

The MPPP will begin with the 2025 Medicare Part D plan year, starting January 1, 2025. Medicare Part D and Medicare Advantage plans are expected to begin notifying beneficiaries who may benefit from the program – specifically, those who paid at least $2,000 in Part D cost sharing in 2024 and those who are expected to incur OOP costs of $600 or more for a single medication in 2025 – during the next Medicare open enrollment period (October 15 – December 7).

2. What is the Medicare Part D $2,000 OOP cap?

Starting in January 2025, there will be a new $2,000 OOP spending limit on annual prescription drug costs for people with a Medicare Part D plan. Once an individual has spent $2,000 on prescription drug costs, including the Part D deductible ($590 in 2025) and any copayments or coinsurance associated with specific medications, they will no longer have to pay OOP costs in that plan year. Payments made by ADAP will count towards an individual's OOP cap.

3. Will AIDS Drug Assistance Program (ADAP) clients be able to participate in the MPPP?

Yes, but the need for ADAP clients to enroll in the MPPP may be limited. Prescription drug cost-sharing payments made by ADAP on behalf of Medicare Part D clients will not be smoothed under the MPPP. ADAP cost-sharing payments (including payments made on behalf of clients to pay a Part D deductible, copayment, or coinsurance) for any drug on the state or territorial ADAP's formulary will be processed by pharmacies the same way they are processed now. An ADAP client may opt into the MPPP to smooth payments for very expensive, non-ADAP formulary drugs. However, this will rarely make sense for an ADAP client for whom ADAP is paying Medicare Part D cost-sharing assistance (see questions 4 and 7 for additional information).

Medical and support service providers (e.g., case managers) caring for Medicare beneficiaries enrolled in, or eligible for, ADAP services are strongly encouraged to familiarize themselves with their jurisdiction's ADAP formulary to help clients determine if MPPP enrollment is a good option for their non-ADAP formulary prescriptions.

4. Should RWHAP clients receiving Medicare Part D cost-sharing assistance through ADAP enroll in the MPPP?

If a RWHAP client can expect that all of their Medicare Part D cost-sharing will be paid for by ADAP, they should not enroll in the MPPP. Even if the client needs to access medications not on the ADAP formulary, they should keep in mind there is a $2,000 annual OOP maximum for Medicare Part D starting in 2025. It will often be the case that Medicare Part D cost-sharing payments made by ADAP on behalf of a client will reach the $2,000 OOP maximum threshold fairly early in the plan year. Cost-sharing for non-ADAP formulary drugs filled ***after*** the cap has been reached will have a $0 cost-sharing payment. See Example 1 below.

There may be scenarios where a client has a non-ADAP-formulary drug that must be filled before the client's $2,000 OOP maximum is met (usually in January or February, assuming the client's coverage begins in January and ADAP provides Part D cost-sharing assistance each month). If a client has a high-cost, non-ADAP drug that cannot be delayed (e.g., the OOP cost of this drug significantly exceeds the client's maximum monthly payment amount under the MPPP and/or the client's ability to pay the full cost at the pharmacy), they should speak with a RWHAP case manager to learn about additional financial assistance options available through the RWHAP. If there are no additional financial assistance options available, it may make sense for the client to enroll into the MPPP, even though this may result in a higher annual OOP amount. See Example 2 below.

Example 1: Client does NOT enroll in the MPPP

Client is on one HIV ARV medication that is on the ADAP formulary and one medication that is not on the ADAP formulary. In this example, the client does NOT enroll in the MPPP.

	ADAP formulary drug	Non-ADAP formulary drug
January	Participant incurs $1,400 cost-sharing for ADAP drug (deductible and 25% coinsurance), ADAP pays cost sharing amount at pharmacy. Enrollee will pay $0 at the pharmacy.	Participant has hit deductible with the ADAP payment, so owes 25% coinsurance on the second non-ADAP drug. Enrollee will pay $150 at the pharmacy.
February	25% coinsurance for the ADAP drug is $750. ADAP pays $550 on behalf of the client, which is the amount needed to reach the **$2,000 OOP maximum.**	Participant pays $0 for the non-ADAP drug because they've reached the $2,000 OOP maximum.
March – December	$0	$0

Example 2: Client enrolls in the MPPP and their non-ADAP covered medication(s) is smoothed

Client is on one HIV antiretroviral (ARV) medication that is on the ADAP formulary and one medication that is not on the ADAP formulary. In the following example, the client enrolls in the MPPP and their non-ADAP medication will be smoothed.

	ADAP formulary drug	Non-ADAP formulary drug
January	Participant incurs $1,400 cost-sharing for ADAP drug, ADAP pays cost-sharing amount at pharmacy. Enrollee will pay $0 at the pharmacy.	Participant incurs $600 cost, pays $0 at pharmacy and is billed $166.67 through the MPPP. **Participant has hit $2,000 OOP cap.**
February – December	$0	Smoothed payment for non-ADAP drug is $40 each month.

5. Should clients who are receiving assistance from a State Pharmaceutical Assistance Program (SPAP), charitable assistance program, Medicare Extra Help, or a Medicare Savings Program (MSP) enroll in the MPPP?

In general, the MPPP is likely not the right choice for clients with low, stable, OOP drug costs, including clients who receive cost-sharing assistance from the following programs: SPAP, charitable assistance program, Medicare Extra Help, or an MSP. The Centers for Medicare and Medicaid Services (CMS), the agency that oversees the Medicare program, has stated that these programs will not be able to help beneficiaries pay off a MPPP balance owed to a Medicare plan.

6. Should RWHAP clients for whom ADAP is not providing Medicare Part D cost-sharing assistance enroll in the MPPP?

If a RWHAP client is not receiving any cost-sharing assistance from ADAP to cover Medicare Part D cost-sharing and is not eligible for Extra Help, the MPPP ***may*** be helpful to smooth cost-sharing payments out over the course of a plan year. A typical ARV medication for the treatment of HIV will come with fairly high cost-sharing, meaning without smoothing, a Medicare Part D beneficiary will reach the annual $2,000 OOP threshold in the first several months of coverage. Instead of paying that $2,000 over the course of a few months, the client could enroll in the MPPP and spread out those payments. Again, as discussed in question 1, enrolling into the MPPP will not reduce the overall amount the client will pay for Medicare cost-sharing, but will simply spread out the payments over the plan year.

RWHAP case managers are strongly encouraged to discuss whether enrollment in the MPPP is right for clients and remind clients which prescription drugs can be covered by the ADAP formulary for those who are receiving, or are eligible for, Medicare Part D cost-sharing assistance from ADAP.

7. What resources are available to help someone decide if the MPPP is right for them?

Medicare plans will have information available for enrollees about how the MPPP will impact their OOP costs, and whether the program may be right for them. CMS also has information available about the MPPP at CMS.gov. State Health Insurance Assistance Program (SHIP) counselors are also available to give free and personalized counseling on the program. Visit shiphelp.org to find local assistance.

It is important to remember that Medicare plan customer service representatives and SHIP counselors can provide helpful MPPP enrollment advice, but may not be familiar with the RWHAP, including ADAP. RWHAP staff may need to help clients (such as via 3-way calling or calling from the same room) when reaching out for additional assistance with the MPPP. It is important that Medicare customer service representatives, SHIP counselors, and other enrollment assisters are aware of the unique prescription drug needs of RWHAP clients, and the financial support often available through ADAPs.

8. How does someone enroll in the MPPP?

A beneficiary will be able to sign up for the MPPP through the health or drug plan's website, or over the phone. A person can enroll prior to the beginning of a plan year or at any time during the plan year. When a person enrolled in the MPPP receives a prescription for a drug covered by Medicare Part D, the plan will automatically let the pharmacy know that they are enrolled in the MPPP. The pharmacy will then dispense the medication without collecting any payment at the point of sale, and the Medicare Part D or Medicare Advantage plan will bill the beneficiary the smoothed amount every month.

RWHAP staff supporting ADAP clients with Medicare Advantage or Part D enrollment need to understand the MPPP, including the drawbacks and benefits for RWHAP clients who may want to enroll into the program. It may be the case that a jurisdiction's ADAP requires clients to opt out of the MPPP. In these circumstances, ADAP administrators should ensure RWHAP recipients and subrecipients are aware of this requirement, and case managers and other support staff should be trained on how to discuss the MPPP with clients and why their ADAP is recommending clients do not enroll. Staff will also need to know how to help clients disenroll from the MPPP, if needed.

9. Can someone disenroll from the MPPP mid-year?

Yes. A person may disenroll from the MPPP at any time by contacting the Medicare Part D or Medicare Advantage plan to disenroll. However, the person will have to pay any MPPP balance owed to the plan.

10. What happens if a person enrolls into ADAP after enrolling into the MPPP?

There will likely be situations in which a Medicare beneficiary enrolls into the MPPP at the beginning of the year, and enrolls into ADAP later in the year. In this instance, the RWHAP client should work with a case manager to evaluate whether or not it makes sense for the client to remain enrolled in the MPPP. For example, as discussed in questions 4, 5, and 6, it may no longer make sense for a client to remain enrolled in the MPPP if they are receiving Medicare Part D prescription drug cost-sharing assistance from ADAP. ADAP (or another RWHAP-funded program) may be able to pay the outstanding balance to the Medicare Part D plan for medications covered on the ADAP formulary.

11. What happens if someone enrolls in the MPPP, but does not make their monthly payments?

Plans will offer a two-month grace period for people who miss their monthly MPPP payment and will send reminders throughout this time to prompt payment. If a person does not pay the owed amount by the end of the grace period, they will be removed from the MPPP and will be charged the regular cost-sharing amount for their medications at the pharmacy. The person (or ADAP or other RWHAP-funded program on the client's behalf, if feasible) will still be required to pay the amount owed to the Medicare Part D plan. However, even if the person is removed from the MPPP, they will still remain enrolled in Medicare Part D coverage. A person may pay the owed amount in one lump sum, or can pay the owed amount in monthly amounts for the remainder of the plan year. If someone has not paid the past-due MPPP amounts by the end of the plan year, they will not be able to enroll in the MPPP the following year.

12. Can a beneficiary choose only certain drugs to be in the MPPP?

No. When a person enrolls in the MPPP, they are electing for all of their medications to be in the program.

Note: this does not change the way ADAP cost-sharing is processed. A Medicare beneficiary may elect to have their non-ADAP formulary medications in the MPPP, while their ADAP-covered medications will continue to be processed as they are currently. Refer to question 3 for examples of how this works and for more detail about why opting into the MPPP would rarely, if ever, be a good option for an ADAP client.

The Access, Care, and Engagement TA Center (ACE) Technical Assistance (TA) Center builds the capacity of the RWHAP community to navigate the changing health care landscape and help people with HIV to access and use their health coverage to improve health outcomes. For more information, visit: www.targethiv.org/ace.

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