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December 2013

Prescription Drug Event (PDE) reporting examples for benefit year 2014

Overview:

This document will provide additional guidance and PDE reporting examples for benefit year 2014 to address the new policy changes outlined in the Announcement of Calendar Year (CY) 2014 Advance Notice and Call letter and to address some questions that have been received through the PDEJan2011 mailbox. The guidance applies to dates of service beginning with January 1, 2014, unless stated otherwise. In reporting PDEs for prior benefit years, sponsors should refer to previous guidance and examples released through the Health Plan Management System (HPMS) or posted to the CSSC website (www.csscoperations.com).

This guidance does not discuss PDE reporting for Medicare-Medicaid Plans. For PDE reporting instructions for Medicare-Medicaid Plans, refer to the September 20, 2012 HPMS memorandum titled, "Waiver of Part D Low-Income Subsidy Cost-Sharing Amounts by Medicare-Medicaid Plans and Operational Implications for Prescription Drug Event Data and Plan Benefit Package Submissions".

CMS is issuing the December 2013 version of this guidance based upon industry request to re-evaluate example 18. Example 18 has not changed from the November 2013 version of this guidance. The example indicates that the Reported Gap Discount amount is based upon the Part D portion of the Employer Group Waiver Plan (EGWP) benefit and the other PDE fields are determined based upon the integrated benefit. The entire claim is within the coverage gap phase.

Based upon industry feedback, sponsors may need additional time to program their systems to account for the changes in the reporting of PDEs for EGWPs. CMS expects that PDEs submitted by EGWPs will follow the instructions provided in this guidance. CMS will take EGWPs into consideration when monitoring timely submission.

Questions regarding this document can be sent to PDEJan2011@cms.hhs.gov.

2014 Defined Standard Benefit Parameters:

Table 1 shows the Gross Covered Drug Costs and True Out-of-Pocket (TrOOP) costs parameters used to define each benefit phase in 2014. The table also shows beneficiary and plan liability within each benefit phase of the defined standard benefit. The table applies to all beneficiaries except low-income beneficiaries who are not eligible for the Coverage Gap Discount Program (CGDP). The dollar amounts provided in the table are taken from the Announcement of CY 2014 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter.

TABLE 1: THE DEFINED STANDARD BENEFIT, EXCLUDING LOW-INCOME ELIGIBLE BENEFICIARIES, 2014

BENEFIT PHASE	PARAMETERS TO DEFINE BENEFIT PHASE		BENEFICIARY COST-SHARING	PLAN LIABILITY
	Year-to-Date (YTD) Gross Covered Drug Costs	YTD TrOOP Costs		
Deductible	≤ $310	N/A	100% coinsurance (= $310)	0%
Initial Coverage Phase	> $310 and ≤ $2,850	N/A	25% coinsurance (= $635.00)	75% (= $1,905.00)
Coverage Gap	>$2,850 ≤$6,690.77*	≤ $4,550	72% coinsurance for generic drugs 97.5 % of Total Drug Cost – Gap Discount for brand drugs**	28% for generic drugs 2.5% of ingredient cost and sales tax and 52.5% of dispensing fee and vaccine administration fee for brand drugs
Catastrophic Coverage Phase	> $6,690.77	> $4,550*** (OOP threshold)	Greater of 5% coinsurance or $2.55/$6.35 (generic/brand) copayment	Lesser of 95% or (Gross Covered Drug Cost - $2.55/$6.35)****

* For a beneficiary who is considered an "applicable beneficiary" as defined at section 1860D-14A(g)(1) of the Social Security Act and therefore is eligible for the Coverage Gap Discount Program (i.e., non-LIS beneficiaries), this is the estimated average amount of total drug spending required to attain the out-of-pocket threshold in the defined standard benefit if the beneficiary does not have prescription drug coverage through a group health plan, insurance, government-funded health program, or similar third party arrangement.

**Assumes the claim falls squarely in the gap and there is no supplemental coverage

***TrOOP determines when the beneficiary reaches the catastrophic coverage phase, regardless of YTD Gross Covered Drug Costs.

**** If the beneficiary liability is less than the statutory copay amount the formula changes to Gross Covered Drug Cost minus beneficiary liability

Table 2 provides the maximum low-income cost-sharing amounts for low-income beneficiaries for benefit year 2014. The information provided in this table is from the Announcement of CY 2014 Medicare Advantage Capitation Rates and Medicare Advantage and Part D Payment Policies and Final Call Letter.

Table 2: 2014 Low Income Cost-sharing Subsidy (LICS) Categories

		MAXIMUM LI BENEFICIARY COST-SHARING		
Income Category	**Deductible**	**Initial Coverage Phase**	**Coverage Gap**	**Catastrophic**
≤100% FPL and fbde	$ 0.00	$1.20-generic $3.60-brand	$1.20-generic $3.60-brand	$0.00
<135% or >100% FPL and fbde	$ 0.00	$2.55-generic $6.35-brand	$2.55-generic $6.35- brand	$0.00
<150% FPL	$63.00	15%	15%	$2.55-generic $6.35-brand
Inst fbde	$ 0.00	$0.00	$0.00	$0.00

Enhanced Alternative (EA) plans map their Covered D Plan Paid (CPP) amounts to the defined standard benefit. Tables 3 and 4 show mapping for the low income beneficiaries and the applicable beneficiaries, respectively.

For low income (LI) beneficiaries, there is no CPP amount when drug costs fall within the Rule 3 amount. Beginning in 2014, Rule 3 mapping occurs when the beneficiary reaches the coverage gap phase until the beneficiary exceeds the out-of-pocket (OOP) threshold and this change impacts all beneficiaries (non-LI and LI). This policy change means that Rule 4 has been eliminated beginning with benefit year 2014. Rule 5 begins when the beneficiary exceeds the OOP threshold.

If a non-calendar year (CY) employer group waiver plan (EGWP) provides an EA benefit and begins their benefit year sometime in 2013 and the benefit year ends sometime in 2014, they will begin mapping only to Rule 3 for PDEs under the non-calendar year 2013 benefit year with dates of service on and after 1/1/2014. Rule 4 mapping will not apply with beginning with dates of service on and after 1/1/2014. In addition, a non-CY EGWP must only report PLRO for covered drugs, not Non Covered Plan Paid Amounts (NPP), beginning with PDEs with DOS 1/1/2014 and after, even if the PDE is from the non-CY EGWP's 2013 plan year that ends in 2014. For example, if a non-CY EGWP plan has a benefit year that begins on 7/1/2013 and ends on 6/30/2014, the non-CY EGWP plan will begin to no longer map CPP to Rule 4 on PDEs with DOS 1/1/2014 and forward, even though this is in the middle of the benefit year. This plan will also no longer report NPP for covered drugs beginning on 1/1/2014.

In 2014, sponsors will map 2.5% of the discount eligible cost to CPP and 52.5% of the dispensing and vaccine administration fees to CPP for applicable beneficiaries when in the coverage gap phase (Rule 3).[1] Refer to Table 1 in the 2013 PDE Reporting guidance for the cost-sharing percentages for benefit years 2011-2020. This table provides the cost-sharing in the gap for the discount eligible

[1] The term "applicable beneficiaries" refers to those that are eligible for coverage gap discounts.

cost. To determine the CPP portion of the dispensing fee and vaccine administration fee, the sponsor will subtract the beneficiary cost-sharing in Table 1 in the 2013 PDE Reporting guidance from 100%. For example, in 2013 and 2014, sponsors will map 52.5% (100%-47.5%) of the vaccine administration fee and dispensing fee to CPP in the Coverage gap phase. In 2015, the sponsor will map 55% (100%-45%) of the vaccine administration fee and dispensing fee to CPP in the coverage gap phase.

Table 3: MAPPING TO THE DEFINED STANDARD BENEFIT TO CALCULATE CPP AMOUNT 2014 LIS ELIGIBLE BENEFICIARIES

RULE #	YEAR-TO-DATE (YTD) GROSS COVERED DRUG COSTS	TrOOP AMOUNT	PERCENTAGE TO CALCULATE DEFINED STANDARD BENEFIT
1	<= $310	N/A	0%
2	>$310 and <= $2,850	N/A	75%
3	>$2,850	≤$4,550	0%
4	N/A	N/A	N/A
5	N/A	>$4,550	Lesser of 95% or (Gross Covered Drug Cost - $2.55/$6.35)*

*If the beneficiary cost-sharing amount is less than the statutory copay amount, the formula changes to Gross Covered Drug Cost – beneficiary liability.

Table 4: MAPPING TO THE DEFINED STANDARD BENEFIT TO CALCULATE CPP AMOUNT 2014 BENEFICIARIES INELIGIBLE FOR LIS

RULE #	YEAR-TO-DATE (YTD) GROSS COVERED DRUG COSTS	TrOOP AMOUNT	PERCENTAGE TO CALCULATE DEFINED STANDARD BENEFIT
1	<= $310	N/A	0%
2	>$310 and <= $2,850	N/A	75%
3	>$2,850	≤$4,550	2.5% of ingredient cost and sales tax for applicable drugs and 52.5% of dispensing and vaccine administration fees; 28% for non-applicable drugs
4	N/A	N/A	N/A
5	N/A	>$4,550	Lesser of 95% or (Gross Covered Drug Cost - $2.55/$6.35)*

*If the beneficiary cost-sharing amount is less than the statutory copay amount, the formula changes to Gross Covered Drug Cost – beneficiary liability.

Applicable beneficiary and plan dispensing and vaccine administration fee liability on applicable drug claims that straddle the coverage gap and applicable drug coverage gap claims under EA plans offering Part D supplemental coverage in the gap

As stated in the 2014 Call Letter, the dispensing fee and vaccine administration fee will be included in the negotiated price (as defined in 42 CFR §423.100) to the greatest extent possible. This is consistent with existing policy in which the dispensing fee and vaccine administration fee is included in the portion of the negotiated price that falls below the Initial Coverage Limit (ICL) or above the annual out-of-pocket (OOP) threshold to the greatest extent possible. Because this is an existing policy, several examples have been provided in the past. Examples can be found in the July 9, 2010 HPMS memo titled, "Revised Guidance for Prescription Drug Event (PDE) record changes required to close the Coverage Gap, the 2011 PDE Participant Guide, and the 2013 PDE Reporting and Calculations Guidance. This policy is also followed in the examples provided in this document.

For EA plans with Part D supplemental coverage in the gap (i.e., cost-sharing reduction), the dispensing fee and vaccine administration fee liability on applicable drug coverage gap claims under EA plans with Part D supplemental coverage in the gap will be commensurate with the coinsurance percentage. If the EA plan has a fixed copay amount, then the beneficiary liability for the dispensing fee/vaccine administration fee will be commensurate with the percentage of total Part D claim cost falling in the coverage gap attributed to the before-discount copay. (i.e., Before-discount copay in the gap divided by the total claim cost falling in the gap equals the percentage of the dispensing fee/vaccine administration fee for which the beneficiary is liable.) This new policy is applied to the examples provided in this document.

Beneficiary and Plan Negotiated Price Cost Component Liability

The beneficiary and plan liability for each cost component of the negotiated price must be calculated proportional to plan and beneficiary liability for the entire negotiated price in all phases of the benefit. If a claim straddles benefit phases, then place the dispensing and vaccine administration fees outside of the coverage gap, to the greatest extent possible. However, if any dispensing and vaccine administration fees remain in the coverage gap, they are not part of the negotiated price. Under this policy, a plan can either apply programming logic that calculates the proportional liability for each cost component in each phase or alternatively calculate the proportional liability based upon the aggregate beneficiary/plan liability for the claim (limited to non-straddle claims). This policy will be demonstrated in the examples provided in this document. Note that the PDE will not reflect the proportional liability. This information is determined in the event that money is owed to the beneficiary.

Example #1: DS Plan, Straddle Claim with the entire Dispensing Fee falling outside of the Gap.

This example is intended to show how the dispensing fee is distributed in a claim that begins in the initial coverage phase (ICP) and ends in the catastrophic coverage phase. In a defined standard plan the beneficiary enters the Coverage Gap when TGCDC Accumulator exceeds the initial coverage limit or $2,850.00 in 2014. The beneficiary purchases a brand drug for $3,699.44, which includes $3,475.47 ingredient cost, $221.97 sales tax, and $2.00 dispensing fee.

Step 1 Determine costs that fall in the Coverage Gap:
When claim adjudication begins the TGCDC Accumulator is $2,849.00 and the TrOOP Accumulator is $944.75; the beginning benefit phase is the ICP. The first $1.00 of the claim falls in the ICP. (The amount equals ICL – beginning value in TGCDC Accumulator or $2,850.00 – $2,849.00.) Note that the amount in the ICP is insufficient to fully cover the $2 dispensing fee so a portion of the dispensing fee will fall into another phase.

In the ICP, the beneficiary will pay $0.25 of the $1.00 dispensing fee, therefore the TrOOP amount remaining in the gap is $4,550.00 - $945.00 = $3,605.00. The following formula can be used to determine the drug cost remaining in the coverage gap phase when the dispensing fee does not fall within the gap:

Remaining TrOOP Amount / (1- plan cost-sharing in the gap)

Plan cost-sharing in the gap is 2.5%. In this example, the denominator is 1- .025 = 0.975. The drug cost remaining in the coverage gap is $3605.00/0.975 = $3697.44. The full cost of the drug is $3,699.44 so $1.00 remains after taking into consideration the cost that falls in the ICP and that dollar is placed within the catastrophic coverage phase. In this example, the entire dispensing fee is placed outside of the coverage gap phase.

PDE Fields	**Claim Total**
Total Gross Covered Drug Cost Accumulator	$2,849.00
True Out of Pocket Accumulator	$944.75
Beginning Benefit Phase	N
Ending Benefit Phase	C
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Field	Reported on the PDE Record	Initial Coverage Phase	Coverage Gap	Catastrophic Phase
Ingredient Cost Paid	$3,475.47	$0.00	$3,475.47	$0.00
Dispensing Fee Paid	$2.00	$1.00	$0.00	$1.00
Total Amount Attributed to Sales Tax	$221.97	$0.00	$221.97	$0.00
Vaccine Administration Fee	$0.00	$0.00	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$3698.44			
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$1.00			

Step 2 Determine Discount Eligible Cost: The entire Dispensing Fee Paid is outside the Coverage Gap. The discount eligible cost is the ingredient cost and sales tax, which are completely in the coverage gap. The discount eligible cost is $3,697.44.

Step 3 Calculate Gap Discount: The gap discount is 50% of the $3,697.44 discount eligible cost or $1,848.72.

Step 4 Determine beneficiary cost-sharing: The beneficiary is responsible for cost-sharing in each benefit phase the claim straddles. ICP cost-sharing is 25%; Coverage Gap cost-sharing is 47.5% of the discount eligible cost and the beneficiary is responsible for the entire dispensing fee in the catastrophic coverage phase. In the catastrophic coverage phase the beneficiary pays the greater of 5% or $6.35. $6.35 would be the greater amount but the beneficiary cannot pay more than the cost in the catastrophic coverage phase; therefore, the beneficiary pays $1.00.

ICP cost-sharing is $0.25 ($1 .00 * .25). Coverage Gap cost-sharing is calculated as $3,697.44 * .475 = $1,756.28 (which is $1,650.85 of ingredient cost and $105.43 of sales tax). Catastrophic Coverage phase cost-sharing is $1.00 because $6.35 is greater than $0.05 (5%). The beneficiary cost-sharing in the catastrophic coverage phase is capped at $1.00.

The beneficiary's total cost-sharing is $1,757.53.

Step 5 Calculate Covered and non-Covered Portion of Plan Paid cost-sharing: The plan pays 75% of the cost falling in the ICP ($1.00 *.75 = $0.75). The plan pays 2.5% of the discount eligible cost ($3,697.44 *.025= $92.44), which means the plan pays $86.89 ingredient cost and $5.55 sales tax. The plan pays 52.5% of the dispensing fee in the gap, however there are no dispensing fees falling within the gap. The total CPP is $93.19.

PDE Reporting: Populate Reported Gap Discount and existing financial fields as indicated below.

PDE Fields	Value
Reported Gap Discount	$1,848.72
Patient Pay Amount	$1,757.53
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$93.19
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$3,698.44
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$1.00

Step 6 Update Gross Covered Drug Cost Accumulator and TrOOP Accumulator: The Beginning and Ending Benefit Phase values and the TGCDC Accumulator and TrOOP

Accumulator values validate that the claim straddles the ICP and the Coverage Gap. After the claim is processed, the TGCDC Accumulator increases by $3,699.44 from $2,849.00 to $6,548.44; the TrOOP Accumulator increases by $3,605.25 (Patient pay amount below the OOP threshold and the Reported Gap Discount amount) from $944.75 to $4,550.00.

Example #2: Defined Standard benefit plan that Straddles the Gap to Catastrophic and a portion of the dispensing fee falls within the Gap

This example will demonstrate how to report a PDE when a portion of the dispensing fee/vaccine administration fee falls within the coverage gap phase. Example #5 in the 2013 PDE Reporting and Calculations Guidance document demonstrates this concept, the key difference is that Example #5 straddles the ICP and Gap and this example straddles the Gap to Catastrophic.

In this example, the beneficiary purchases a $202.00 drug. The cost includes $187.90 ingredient cost, $10.10 sales tax, and $4.00 dispensing fee. The TGCDC accumulator is $6,255.00 and the TrOOP accumulator is $4,356.00.

Step 1 Determine costs that fall in the Coverage Gap: When the claim begins the beneficiary is in the coverage gap phase. The following steps should be followed to determine the cost falling within the coverage gap:

1. Determine remaining TrOOP: Remaining TrOOP in this example is $194.
2. Take the ingredient cost and sales tax and multiply it by the cost-sharing percentage of the manufacturer and beneficiary: $198 * 97.5% = $193.05. The manufacturer pays $99.00 (50%) of the ingredient cost and sales tax and the beneficiary pays $94.05 of the ingredient cost and sales tax. Therefore, a total of $193.05 counts towards TrOOP.
3. Compare the remaining TrOOP to the actual TrOOP calculated in step 2: Remaining TrOOP $194 > Actual TrOOP $193.05. Because actual TrOOP is less than remaining TrOOP, a portion of the dispensing fee must fall within the coverage gap.
4. Determine additional cost falling in the Coverage Gap: After taking into account the manufacturer and beneficiary cost for the discount eligible cost, $0.95 of TrOOP remains. To determine the dispensing fee that falls within the coverage gap, take $0.95 and divide it by the beneficiary cost sharing amount for the dispensing fee (.475) and this will determine the amount of the dispensing fee that falls within the coverage gap, which is $2.00 in this example. So the ingredient cost, sales tax, and $2.00 of the dispensing fee falls within the coverage gap.

PDE Fields	**Claim Total**
Total Gross Covered Drug Cost Accumulator	$6,255.00
True Out of Pocket Accumulator	$4,356.00
Beginning Benefit Phase	G
Ending Benefit Phase	C
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Field	Reported on the PDE Record	Coverage Gap Phase	Catastrophic Phase
Ingredient Cost Paid	$187.90	$187.90	$0.00
Dispensing Fee Paid	$4.00	$2.00	$2.00
Total Amount Attributed to Sales Tax	$10.10	$10.10	$0.00
Vaccine Administration Fee	$0.00	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$200.00		
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$2.00		

Step 2 Determine the Discount Eligible Cost: The discount eligible cost must be net of the dispensing fee. Since a portion of the dispensing fee falls within the coverage gap, it must be subtracted from the drug cost falling within the gap. $200.00 - $2.00 = $198.00.

Step 3 Calculate the Gap Discount: The gap discount is 50% of $198.00 or $99.00

Step 4 Determine beneficiary cost-sharing: The beneficiary is responsible for cost-sharing in each benefit phase. Beneficiary cost-sharing in the coverage gap is 47.5% of the discount eligible cost and 47.5% of the non-discount eligible costs falling in the gap in 2014. In the catastrophic phase, the beneficiary is responsible for the greater or 5% of the drug cost or a copay of $6.35.

Coverage gap cost-sharing of the discount eligible cost is $94.05 ($198.00 * 47.5%). The beneficiary is responsible for $89.25 of the ingredient cost and $4.80 of sales tax. The beneficiary cost-sharing of the dispensing fee in the coverage gap is $0.95 ($2.00 *47.5%).

Catastrophic coverage cost-sharing is $2.00. The beneficiary pays the entire cost in catastrophic because when comparing 5% of the drug cost is catastrophic to the $6.35 copay, the copay is the greater amount but the copay is greater than the cost of the drug falling in the catastrophic coverage phase.

Step 5 Calculate Covered Portion of Plan Paid Cost-sharing: The plan pays 2.5% of the discount eligible cost and 52.5% of the dispensing fee in the coverage gap phase. The plan pays $4.95 ($198.00 * 2.5%) for the discount eligible cost (includes $4.70 ingredient cost and $.25 sales tax) and $1.05 ($2.00 * 52.5%) for the dispensing fee. There is no CPP in the catastrophic phase, as explained in step 4.

PDE Reporting: Populate Reported Gap Discount and existing financial fields as indicated below.

PDE Fields	Value
Reported Gap Discount	$99.00
Patient Pay Amount	$97.00

Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$6.00
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$200.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$2.00

Step 6 Updated TGCDC and TrOOP Accumulators: The beginning and ending benefit phases and the TGCDC and TrOOP accumulator values validate that the claim straddles the coverage gap and the catastrophic coverage phases. After the claim is processed, the TGCDC accumulator increases by $202.00 from $6,255.00 to $6,457.00 and the TrOOP accumulator increases by $194 from $4,356 to $4,550.

Example #3: Defined Standard benefit plan that Straddles the Gap to Catastrophic and the entire dispensing fee falls within the catastrophic phase

In this example, the beneficiary purchases a $202.00 drug. The cost includes $187.90 ingredient cost, $10.10 sales tax, and $4.00 dispensing fee. The TGCDC accumulator is $6,403.72 and the TrOOP accumulator is $4,500.00.

Step 1 Determine costs that fall in the Coverage Gap: When the claim begins the beneficiary is in the coverage gap phase. The TrOOP accumulator shows that remaining TrOOP in this example is $50.00. To determine the drug cost in the coverage gap, the remaining TrOOP amount is divided by 1 minus the plan cost-sharing in the gap or .975. The total drug cost in the gap is $51.28. Of this amount, $48.66 is ingredient cost and $2.62 is sales tax. This amount excludes the dispensing fee, which falls completely in the catastrophic coverage phase.

PDE Fields	**Claim Total**
Total Gross Covered Drug Cost Accumulator	$6,403.72
True Out of Pocket Accumulator	$4,500.00
Beginning Benefit Phase	G
Ending Benefit Phase	C
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Field	**Reported on the PDE Record**	**Coverage Gap Phase**	**Catastrophic Phase**
Ingredient Cost Paid	$187.90	$48.66	$139.24
Dispensing Fee Paid	$4.00	$0.00	$4.00

Total Amount Attributed to Sales Tax	$10.10	$2.62	$7.48
Vaccine Administration Fee	$0.00	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$51.28		
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$150.72		

The table above shows how each cost component (excluding the dispensing fee) is allocated across the benefit phases.

Step 2 Determine the Discount Eligible Cost: The discount eligible cost must be net of the dispensing fee. Since the dispensing fee falls completely outside of the coverage gap, the discount eligible cost is $51.28.

Step 3 Calculate the Gap Discount: The gap discount is 50% of $51.28 or $25.64

Step 4 Determine beneficiary cost-sharing: The beneficiary is responsible for 47.5% of the discount eligible cost. 47.5% of $51.28 or $24.36. The discount eligible cost includes $23.11 in ingredient cost and $1.25 in sales tax.

In the catastrophic coverage phase, the beneficiary is responsible for the greater of 5% of the drug cost or $6.35. In this case the beneficiary is responsible for 5% of the drug cost or $7.54. The beneficiary is responsible for 5% of each cost component: $6.97 of the ingredient cost, $0.20 of the dispensing fee, and $.37 of the sales tax.

Step 5 Calculate Covered Portion of Plan Paid Cost-sharing: The plan pays 2.5% of the discount eligible cost in the coverage gap phase or $1.28 ($1.22 in ingredient cost and $.06 in sales tax). In the catastrophic coverage phase, the plan pays $143.18 ($132.27 in ingredient cost, $3.80 in dispensing fees, $7.11 in sales tax).

PDE Reporting: Populate Reported Gap Discount and existing financial fields as indicated below.

PDE Fields	**Value**
Reported Gap Discount	$25.64
Patient Pay Amount	$31.90
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$144.46
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$51.28

Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$150.72

Step 6 Updated TGCDC and TrOOP Accumulators: The beginning and ending benefit phases and the TGCDC and TrOOP accumulator values validate that the claim straddles the coverage gap and the catastrophic coverage phases. After the claim is processed, the TGCDC accumulator increases by $202.00 from $6,403.72.00 to $6,605.72 and the TrOOP accumulator increases by $50 from $4,500 to $4,550.

Example #4: BA plan, Straddle Claim with Copay in ICP

In this example, the claim straddles the ICP and the Coverage Gap in a BA plan with a $5/$15/$30 copay structure in the ICP. In this BA plan the beneficiary enters the Coverage Gap when TGCDC Accumulator exceeds the initial coverage limit or $2,850.00 in 2014. The discount eligible brand drug in this example falls in the $30 copay tier. The drug cost is $202.00, of which $195 is ingredient cost, $5 is sales tax, and $2 is dispensing fee.

Step 1 Determine costs that fall in the Coverage Gap:
When claim adjudication begins the TGCDC Accumulator is $2,810.00 and the TrOOP Accumulator is $895.00; the beginning benefit phase is the ICP. The first $40.00 of the claim falls in the ICP. (The amount is calculated as ICL – beginning value in TGCDC Accumulator or $2,850.00 – $2,810.00.) Because, the beneficiary has not met the TrOOP threshold the remaining $162.00 of the claim falls in the Coverage Gap. The ending benefit phase is the Coverage Gap.

PDE Fields	**Claim Total**
Total Gross Covered Drug Cost Accumulator	$2,810.00
True Out of Pocket Accumulator	$895.00
Beginning Benefit Phase	N
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Field	**Reported on the PDE Record**	**Initial Coverage Phase**	**Coverage Gap**
Ingredient Cost Paid	$195.00	$37.05	$157.95
Dispensing Fee Paid	$2.00	$2.00	$0.00
Total Amount Attributed to Sales Tax	$5.00	$0.95	$4.05
Vaccine Administration Fee	$0.00	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$202.00		

Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00		

The table above shows how each cost component (excluding the dispensing fee) is allocated across the benefit phases.

Step 2 Determine Discount Eligible Cost: The discount eligible cost is $162.00, the Coverage Gap amount.

Step 3 Calculate Gap Discount: The gap discount is 50% of the $162.00 discount eligible cost or $81.00.

Step 4 Determine beneficiary cost-sharing: The beneficiary is responsible for cost-sharing in each benefit phase the claim straddles. ICP cost-sharing in this BA plan is $30.00; Coverage Gap cost-sharing is 47.5% of the discount eligible cost in the gap.

ICP cost-sharing is $30.00. The $30.00 includes $27.79 ingredient cost, $1.50 dispensing fee, and $0.71 sales tax. (The plan pays the remaining $10.00 of the total claim amount falling in the ICP, which includes $9.26 ingredient cost, $0.50 dispensing fee, and $0.24 sales tax)

Coverage Gap cost-sharing is $76.95 ($162.00 * .475). This amount includes $75.03 ingredient cost and $1.92 sales tax.

The beneficiary's total cost-sharing is $106.95. ($30.00 copay in ICP + $76.95 beneficiary liability in gap)

Step 5 Calculate Covered and non-Covered Portion of Plan Paid cost-sharing: The plan pays the remainder of cost falling in the ICP beyond the beneficiary copay in the ICP ($40.00 - $30.00 = $10.00) and 2.5% of the discount eligible cost in the gap ($162.00 * .025 = $4.05). The CPP portion of the discount eligible cost includes $3.95 ingredient cost and $.10 sales tax. The total CPP is $14.05.

PDE Reporting: Populate Reported Gap Discount and existing financial fields as indicated below.

PDE Fields	**Value**
Reported Gap Discount	$81.00
Patient Pay Amount	$106.95
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$14.05
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold	$202.00

(GDCB)	
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00

Step 6 Update Gross Covered Drug Cost Accumulator and TrOOP Accumulator: The Beginning and Ending Benefit Phase values and the TGCDC Accumulator and TrOOP Accumulator values validate that the claim straddles the ICP and the Coverage Gap. After the claim is processed, the TGCDC Accumulator increases by $202.00 from $2,810.00 to $3,012.00; the TrOOP Accumulator increases by $187.95 from $895.00 to $1,082.95.

Example #5: EA Plan, Claim falls completely in the Coverage Gap

This example demonstrates how the proportional liability is determined when there is a copay in the coverage gap. (Note that an example of a coinsurance claim is provided on page 50 in the 2014 Call Letter.) In this example the beneficiary purchases a drug that cost $200.00. The cost includes a $2.00 dispensing fee. The plan offers supplemental coverage for this drug in the coverage gap. The beneficiary copay is $20.00.

Step 1 Determine the costs that fall in the Coverage Gap: The claim falls completely in the Coverage Gap. The beneficiary's Gross Covered Drug Cost has exceeded the Initial Coverage Limit (TGCDC > ICL), and the beneficiary's TrOOP remains below the TrOOP threshold (Accumulated TrOOP < TrOOP threshold). When the claim adjudication begins, the TGCDC Accumulator is $3,000.00 and the TrOOP Accumulator is $1,110.00. The beginning benefit phase is the Coverage Gap and the ending benefit phase is also the Coverage Gap.

PDE Fields	**Claim Total**
Total Gross Covered Drug Cost Accumulator	$3,000.00
True Out of Pocket Accumulator	$1,110.00
Beginning Benefit Phase	G
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Fields	**Claim Total**
Ingredient Cost Paid	$198.00
Dispensing Fee Paid	$2.00
Total Amount Attributed to Sales Tax	$0.00

Step 2 Determine Plan Liability: The plan liability is equal to the difference between the total cost falling in the gap and the applicable beneficiary gap copay or coinsurance under the EA plan benefit design. In this example, the beneficiary has a $20.00 copay. Therefore, the plan liability is $200.00 - $20.00 = $180.00

Step 3 Determine Discount Eligible Cost: The beneficiary copay is 10% of the cost of the drug; therefore, the beneficiary pays 10% of the ingredient cost ($198.00 * 10% = $19.80) and 10% of the dispensing fee ($2.00 * 10% = $0.20). The discount eligible cost is the drug cost in the gap minus the plan liability and the beneficiary liability for the dispensing fee. In this example, the discount eligible cost is $200.00 - $180.00 (plan liability) - $0.20 (beneficiary cost-sharing for the dispensing fee in the gap) = $19.80

Step 4 Calculate the Gap Discount: $19.80 * 50% = $9.90

Step 5 Determine Beneficiary cost sharing in the Coverage Gap (for the Discount Eligible Cost): $19.80 * 50% = $9.90 (ingredient cost)

Step 6 Determine CPP and NPP amounts:

Determine CPP and NPP in the Coverage Gap Phase:
CPP is 2.5% of the ingredient cost and sales tax plus 52.5% of the dispensing fee in the Gap.
2.5% * $198 = $4.95
52.5% * $2.00 = $1.05

NPP is the total drug cost in the gap minus beneficiary liability, minus gap discount, minus CPP. The beneficiary liability is comprised of a portion of the discount eligible cost and a portion of the dispensing fee and vaccine administration fee. Therefore, the beneficiary liability is $10.10 ($9.90 + .20).

NPP is $200.00 **–** ($10.10 + $9.90 + $6.00) = $174.00

Step 7 Determine the beneficiary liability for dispensing fee and vaccine administration fee within the coverage gap phase:

As stated above, the beneficiary pays 10% of the dispensing fee falling within the coverage gap or $0.20.

Step 8 Determine the beneficiary liability for cost falling outside of the Coverage Gap: Because this claim falls completely in the gap, there is no additional beneficiary liability for costs outside of the gap.

PDE Reporting: Populate Reported Gap Discount and existing financial fields as indicated below.

PDE Fields	**Value**
Reported Gap Discount	$9.90
Patient Pay Amount	$10.10
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00

Covered D Plan Paid (CPP) Amount	$6.00
Non Covered Plan Paid (NPP) Amount	$174.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$200.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00

Step 9 Update TGCDC and TrOOP Accumulators in preparation for adjudicating the next claim: The beginning and ending benefit phase values and the TGCDC and TrOOP accumulator values validate that the claim is completely in the coverage gap. After the claim is processed, the TGCDC Accumulator increases by $200.00 from $3,000.00 to $3,200.00. The TrOOP accumulator increases by $20.00 from $1,110.00 to $1,130.00.

Example #6: EA plan Claim straddles the ICP and Gap (copay to coinsurance phases)

This example shows how the proportional liability is determined on a copay to coinsurance straddle claim. The beneficiary purchases a $202.00 drug, which includes $195.00 ingredient cost, $5.00 sales tax, and $2.00 dispensing fee. In this example, there is a $30 copayment in the ICP and 25% coinsurance in the coverage gap.

Step 1 Determine the costs that fall in the Coverage Gap: When the claim adjudication begins, the TGCDC Accumulator is $2,690.00 and the TrOOP Accumulator is $730.00; the beginning benefit phase is the ICP. The first $160.00 of the claim falls in the ICP. (The amount is calculated as ICL – beginning value in the TGCDC Accumulator or $2,850.00 - $2,690.00.) Because the beneficiary has not met the TrOOP threshold, the remaining $42.00 of the claim falls in the Coverage Gap. The ending benefit phase is the Coverage Gap.

PDE Fields	Claim Total
Total Gross Covered Drug Cost Accumulator	$2,690.00
True Out of Pocket Accumulator	$730.00
Beginning Benefit Phase	N
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Field	Reported on the PDE Record	Initial Coverage Phase	Coverage Gap
Ingredient Cost Paid	$195.00	$154.05	$40.95
Dispensing Fee Paid	$2.00	$2.00	$0.00
Total Amount Attributed to Sales Tax	$5.00	$3.95	$1.05
Vaccine Administration Fee	$0.00	$0.00	$0.00

Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$202.00		
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00		

The table above shows how each cost component (excluding the dispensing fee) is allocated across the benefit phases. The dispensing fee is placed outside of the coverage gap.

Step 2 Determine Plan Liability: The plan liability in the gap is equal to the difference between the total cost falling in the gap and the applicable beneficiary gap copay or coinsurance under the EA plan benefit design. In this example, the beneficiary pays a coinsurance of 25% in the Gap so the plan pays 75% of the ingredient cost and sales tax in the coverage gap. The plan liability is $42 - $10.50 (25% * $42.00) = $31.50 ($30.71 ingredient cost and $0.79 sales tax).

Step 3 Determine Discount Eligible Cost:
In this example, the discount eligible cost is the total drug cost in the gap minus plan liability. The discount eligible cost is $42 - $31.50 = $10.50.

Step 4 Calculate Gap Discount: The gap discount is 50% of the $10.50 discount eligible cost or $5.25.

Step 5 Determine Beneficiary Cost-sharing in the Coverage Gap:
The beneficiary is responsible for the remainder of the discount eligible cost less the gap discount amount or $10.50 - $5.25 = $5.25 ($5.12 ingredient cost and $0.13 sales tax).

Step 6 Determine CPP and NPP amounts:
As a part of Step 2, we determined the value of the plan liability in the gap to be $31.50. This amount includes both CPP and NPP. To determine the portion of this amount that is CPP, we consider this claim in light of the defined standard benefit where CPP is 2.5% of ingredient cost and sales tax in the gap plus 52.5% of dispensing fee and vaccine admin fee in the gap. (Because the amount of the claim falling in the ICP exceeds the dispensing fee and vaccine administration fee on the claim, there is no plan liability for these fees in the gap). CPP equals ($42 * .025) = $1.05 (includes $1.02 ingredient cost and $0.03 sales tax). NPP is $42.00 – ($5.25 + $5.25 + $1.05) = $30.45.

The plan pays $130 in the ICP. The CPP portion is 75% * $160.00 or $120.00 ($115.54 ingredient cost, $1.50 dispensing fee, $2.96 sales tax). The NPP amount is determined by taking the cost falling within the ICP and subtracting the beneficiary and CPP amounts. NPP is $160.00 – ($30.00 + $120) = $10.00 ($9.63 ingredient cost, $0.13 dispensing fee, $0.25 sales tax)

Step 7 Determine beneficiary liability for dispensing fee and vaccine administration fee:
Because the value of the drug cost falling outside the gap exceeds the sum of the dispensing fee and vaccine administration fee, we assume that the fees were attributed to the costs in the ICP. The beneficiary does not have any additional liability due to these fees in the gap in this example.

Step 8 Determine beneficiary liability for cost falling outside of the Coverage Gap: Because this claim straddles the ICP and the Coverage Gap, the beneficiary must pay the $30 copayment associated with the drug costs falling in the ICP ($28.88 ingredient cost, $0.75 dispensing fee, $0.74 sales tax).

PDE Reporting: Populate Reported Gap Discount and existing financial fields as indicated below.

PDE Fields	Value
Reported Gap Discount	$5.25
Patient Pay Amount	$35.25
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$121.05
Non Covered Plan Paid (NPP) Amount	$40.45
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$202.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00

Step 9 Update Gross Covered Drug Cost Accumulator and True Out-of-Pocket (TrOOP) Accumulator in preparation for adjudicating the next claim: The Beginning and Ending Benefit Phase values and the TGCDC Accumulator and TrOOP Accumulator values validate that the claim is squarely in the Coverage Gap. After the claim is processed, the TGCDC Accumulator increases by $202.00 from $2,690.00 to $2,892.00; the TrOOP Accumulator increases by $40.50 from $730.00 to $770.50.

Example #7: EA plan Claim straddles two copay benefit phases: ICP and Gap

The beneficiary purchases a $202.00 drug, which includes $195.00 ingredient cost, $5.00 sales tax, and $2.00 dispensing fee. In this example, there is a $30 copayment until the catastrophic phase is reached.

Step 1 Determine the costs that fall in the Coverage Gap: When the claim adjudication begins, the TGCDC Accumulator is $2,690.00 and the TrOOP Accumulator is $730.00; the beginning benefit phase is the ICP. The first $160.00 of the claim falls in the ICP. (The amount is calculated as ICL – beginning value in the TGCDC Accumulator or $2,850.00 - $2,690.00.) Because the beneficiary has not met the TrOOP threshold, the remaining $42.00 of the claim falls in the Coverage Gap. The ending benefit phase is the Coverage Gap.

PDE Fields	Claim Total
Total Gross Covered Drug Cost Accumulator	$2,690.00
True Out of Pocket Accumulator	$730.00

Beginning Benefit Phase	N
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Field	Reported on the PDE Record	Initial Coverage Phase	Coverage Gap
Ingredient Cost Paid	$195.00	$154.05	$40.95
Dispensing Fee Paid	$2.00	$2.00	$0.00
Total Amount Attributed to Sales Tax	$5.00	$3.95	$1.05
Vaccine Administration Fee	$0.00	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$202.00		
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00		

The table above shows how each cost component (excluding the dispensing fee) is allocated across the benefit phases. The dispensing fee is placed outside of the coverage gap.

Step 2 Determine Plan Liability: The plan liability in the gap is equal to the difference between the total cost falling in the gap and the applicable beneficiary gap copay or coinsurance under the EA plan benefit design. In this example, the sponsor's benefit has a copay of $30 in the Gap, however it does not apply because the claim is a copay-to-copay straddle so only the first copay applies. Therefore, the plan liability in the gap is $42 – $0 = $42.00.

Step 3 Determine Discount Eligible Cost:
In this example, the discount eligible cost is the total drug cost in the gap minus plan liability. The discount eligible cost is $42 - $42 = $0.

Step 4 Calculate Gap Discount: The gap discount is 50% of the $0 discount eligible cost or $0.

Step 5 Determine Beneficiary Cost-sharing in the Coverage Gap:
The beneficiary is not responsible for any of the cost sharing in the gap because this claim is a copay-to-copay straddle and the beneficiary is only responsible for the first copay.

Step 6 Determine CPP and NPP amounts:
As a part of Step 2, we determined the value of the plan liability in the gap to be $42.00. This amount includes both CPP and NPP. To determine the portion of this amount that is CPP, we consider this claim in light of the defined standard benefit where CPP is 2.5% of ingredient cost and sales tax in the gap plus 52.5% of dispensing fee and vaccine admin fee in the gap. (Because the amount of the claim falling in the ICP exceeds the dispensing fee and vaccine administration fee on the claim, there is no plan liability for these fees in the gap). CPP equals ($42 * .025) =

$1.05 ($1.02 ingredient cost, $0.03 sales tax). NPP is $42.00 – ($0.00 + $0.00 + $1.05) = $40.95 ($39.93 ingredient cost, $1.02 sales tax).

The beneficiary has a $30 copay in the ICP; therefore, the plan pays the remaining $130.00 in the ICP; $120 is reported as CPP (75% of $160.00) and $10 is reported as NPP. The NPP amount is determined by taking the cost falling within the ICP and subtracting the beneficiary and CPP amounts. In the ICP, the CPP of $120.00 includes $115.54 ingredient cost, $1.50 dispensing fee, and $2.96 sales tax. In the ICP, the NPP amount of $10.00 includes $9.63 ingredient cost, $0.13 dispensing fee, $0.25 sales tax).

Step 7 Determine beneficiary liability for dispensing fee and vaccine administration fee: Because the value of the drug cost falling outside the gap exceeds the sum of the dispensing fee and vaccine administration fee, we assume that the fees were attributed to the costs in the ICP. The beneficiary does not have any additional liability due to these fees in the gap in this example.

Step 8 Determine beneficiary liability for cost falling outside of the Coverage Gap: Because this claim straddles the ICP and the Coverage Gap, the beneficiary must pay the $30 copayment associated with the drug costs falling in the ICP. The $30 copay includes $28.88 ingredient cost, $0.38 dispensing fee, and $0.74 sales tax.

PDE Reporting: Populate Reported Gap Discount and existing financial fields as indicated below.

PDE Fields	Value
Reported Gap Discount	$0.00
Patient Pay Amount	$30.00
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$121.05
Non Covered Plan Paid (NPP) Amount	$50.95
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$202.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00

Step 9 Update Gross Covered Drug Cost Accumulator and True Out-of-Pocket (TrOOP) Accumulator in preparation for adjudicating the next claim: The Beginning and Ending Benefit Phase values and the TGCDC Accumulator and TrOOP Accumulator values validate that the claim is squarely in the Coverage Gap. After the claim is processed, the TGCDC Accumulator increases by $202.00 from $2,690.00 to $2,892.00; the TrOOP Accumulator increases by $30.00 from $730.00 to $760.00.

Example #8: EA plan, Claim for a brand drug falls within former Rule 4

This example demonstrates that when a claim falls within what was previously known as Rule 4, the plan follows Rule 3 for mapping of CPP. In this example a beneficiary purchases a $202.00 drug. The beneficiary has a $30.00 copay for brand drugs in the coverage gap.

Step 1 Determine the costs that fall in the Coverage Gap: When the claim adjudication begins, the TGCDC Accumulator is $6,750.83 and the TrOOP Accumulator is $4,170.77. Because the TGCDC Accumulator is above $2,850.00 and the TrOOP Accumulator is below the OOP, EA mapping Rule 3 applies.

PDE Fields	**Claim Total**
Total Gross Covered Drug Cost Accumulator	$6,750.83
True Out of Pocket Accumulator	$4,170.77
Beginning Benefit Phase	G
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Fields	**Claim Total**
Ingredient Cost Paid	$195.00
Dispensing Fee Paid	$2.00
Total Amount Attributed to Sales Tax	$5.00

Step 2 Determine Plan Liability: The plan liability is equal to the difference between the total cost falling in the gap and the applicable beneficiary gap copay or coinsurance under the EA plan benefit design. In this example, the sponsor’s benefit has a copay of $30.00 in the Coverage Gap. Therefore, the plan liability is $202.00 – $30.00 = $172.00.

Step 3 Determine Discount Eligible Cost:
The discount eligible cost is the total drug cost in the gap minus plan liability and minus the beneficiary portion of the dispensing fee. The beneficiary copay of $30.00 includes $0.30 dispensing fee. The discount eligible cost is $202.00 - $172.00 - $0.30 = $29.70.

Step 4 Calculate Gap Discount: The gap discount is 50% of the $29.70 discount eligible cost or $14.85.

Step 5 Determine Beneficiary Cost-sharing in the Coverage Gap:
The beneficiary is responsible for the remainder of the discount eligible cost, which is $14.85

Step 6 Determine CPP and NPP amounts:
Given the TGCDC Accumulator and TrOOP Accumulator reported on the PDE, we know that the entire drug cost falls under EA Mapping Rule 3 (in prior years, this would have been Rule 4). To determine the portion of this amount that is CPP, we consider this claim in light of the

defined standard benefit where CPP is 2.5% of the ingredient cost plus sales tax and 52.5% of the dispensing fee.

2.5% of $200.00 (ingredient cost and sales tax) = $5.00
52.5% of $2.00 (dispensing fee) = $1.05

NPP is calculated as Total Drug Cost – (Patient Pay + Gap Discount + CPP), or $202.00 – ($15.15 + $14.85 + $6.05) = $165.95.

Plan liability (CPP and NPP) includes $166.04 ingredient cost, $1.70 dispensing fee, and $4.26 sales tax.

Step 7 Determine beneficiary liability for dispensing fee and vaccine administration fee: As noted in step 3, the beneficiary is responsible for $0.30 of the dispensing fee

Step 8 Determine beneficiary liability for cost falling outside of the Coverage Gap: Because this claim falls completely in the gap, there is no additional beneficiary liability for costs outside the gap.

PDE Reporting: Populate Reported Gap Discount and existing financial fields as indicated below.

PDE Fields	**Value**
Reported Gap Discount	$14.85
Patient Pay Amount	$15.15
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$6.05
Non Covered Plan Paid (NPP) Amount	$165.95
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$202.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00

Step 9 Update Gross Covered Drug Cost Accumulator and True Out-of-Pocket (TrOOP) Accumulator in preparation for adjudicating the next claim: The Beginning and Ending Benefit Phase values and the TGCDC Accumulator and TrOOP Accumulator values validate that the claim is squarely in the Coverage Gap. After the claim is processed, the TGCDC Accumulator increases by $202.00 from $6,750.83 to $6,952.83; the TrOOP Accumulator increases by $30.00 from $4,170.77 to $4,200.77.

Example #9: EA plan, Claim for a non-applicable drug falls within former Rule 4

This example demonstrates that when a claim falls within what was previously known as Rule 4, the plan follows Rule 3 for mapping of CPP. In 2014, this means that the CPP is mapped to 28% as opposed to the former Rule 4 amount of 15%. Note that in 2013, if a PDE for a non-applicable drug falls within Rule 4, the CPP is mapped to 15% not 21%. In this example, a beneficiary purchases a generic drug for $120.00, of which $2.00 is the dispensing fee and $3.00 is the sales tax. The beneficiary has a $10.00 copay for a generic drug in the coverage gap.

Step 1 Determine the costs that fall in the Coverage Gap: When the claim adjudication begins, the TGCDC Accumulator is $6,750.83 and the TrOOP Accumulator is $4,170.77. Because the TGCDC Accumulator is above $2,850.00 and the TrOOP Accumulator is below the OOP, EA mapping Rule 3 applies.

PDE Fields	**Claim Total**
Total Gross Covered Drug Cost Accumulator	$6,750.83
True Out of Pocket Accumulator	$4,170.77
Beginning Benefit Phase	G
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Fields	**Claim Total**
Ingredient Cost Paid	$115.00
Dispensing Fee Paid	$2.00
Total Amount Attributed to Sales Tax	$3.00

Step 2 Determine Beneficiary Cost-sharing: The beneficiary has a $10 copay for this drug.

Step 3 Calculate Covered and non-Covered Portion of Plan Paid cost-sharing:
The plan liability is the cost of the drug minus the beneficiary copay ($120.00 - $10.00 = $110.00). Effective in 2014, the CPP for any drug that formerly fell into Rule 4 is mapped to 28% instead of 15%. CPP is 28% * $120.00 = $33.60. NPP is $120.00 – ($10.00 + 33.60) = $76.40.

Plan liability of $110.00 (CPP and NPP) includes $105.42 ingredient cost, $1.83 dispensing fee, and $2.75 sales tax.

PDE Reporting:

PDE Fields	**Value**
Reported Gap Discount	$0.00
Patient Pay Amount	$10.00

Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$33.60
Non Covered Plan Paid (NPP) Amount	$76.40
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$120.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00

Step 4 Update Gross Covered Drug Cost Accumulator and True Out-of-Pocket (TrOOP) Accumulator in preparation for adjudicating the next claim: The Beginning and Ending Benefit Phase values and the TGCDC Accumulator and TrOOP Accumulator values validate that the claim is squarely in the Coverage Gap. After the claim is processed, the TGCDC Accumulator increases by $120.00 from $6,750.83 to $6,870.83; the TrOOP Accumulator increases by $10.00 from $4,170.77 to $4,180.77.

Changes for Employer Group Waiver Plans (EGWPs)

Beginning in calendar year 2014, EGWP Part D supplemental coverage will be a non-Medicare benefit. As a result of this change, EGWPs will report Patient Liability Reduction due to Other Payer (PLRO) amounts as opposed to non-Part D plan paid (NPP) amounts on the PDE for Covered Part D drugs. For PDE reporting, sponsors will follow the rules that apply for defined standard benefit plans, regardless of the benefit structure of the Other Health Insurance (OHI) benefit. If the OHI plan does not have a deductible or changes the ICL, for PDE reporting purposes, the sponsor reports the benefit phase parameters consistent with the defined standard benefit parameters.

Only Enhanced Alternative plans can submit PDEs for enhanced drugs; therefore, employer groups will not submit PDEs with the Drug Coverage Status Code of “E” for Supplemental drugs. Over-the-Counter drugs are the only non-Part D allowable drugs in defined standard, actuarially equivalent, or basic alternative plans, but the drugs are paid for under plan administrative costs as reported in the bid, and are excluded from the Part D payment reconciliation. Plans may not charge the beneficiary any part of an OTC’s drug cost. For OTC drugs, the cost is reported in only the NPP field. (See 4.3.1.5 in the 2011 Regional Prescription Drug Event Technical Assistance Participant Guide.)

For PDEs that fall within the coverage gap, the gap discount applies before the OHI benefit. Unlike situations in which there is a true secondary payer, EGWPs are aware of the OHI benefit at the time the claim is adjudicated. CMS expects sponsors to report PDEs with the knowledge of the OHI benefit at the time of adjudication. For example, if a claim initially straddles the gap and catastrophic phases based upon the Part D benefit information for the claim but if OHI is considered, the claim would return to the gap then the EGWP plan must report this PDE as being completely in the gap because the sponsor is aware of the OHI benefit at the time of adjudication. (See example #15 below.)

The 2014 Call Letter provided guidance on how to report EGWP PDEs in which the OHI benefit would result in a greater beneficiary cost-sharing than the defined standard benefit. The Call Letter states that the PDE should reflect actual point-of-sale incurred costs. If the plan charges the beneficiary greater cost-sharing than the beneficiary would pay under the defined standard benefit, then the PDE would reflect what the patient paid at POS in the Patient Pay Amount field and the Patient Liability Reduction due to Other Payer Amount (PLRO) field would have a negative amount. There were examples in the Call Letter demonstrating how to report PDEs (specifically for Low Income beneficiaries) if the sponsor charges the beneficiary more than the defined standard benefit amount. The Call Letter did not address the scenario in which the sponsor chooses not to apply the OHI benefit and only applies the Defined Standard benefit. Examples of this scenario will be provided below. These examples demonstrate that while charging a beneficiary greater than the statutory max would ordinarily result in negative PLRO; in the case of an LI beneficiary, PLRO must never be negative and LICS must be reduced by the value that would have been reported as negative PLRO.

The following examples demonstrate how to populate PDEs for EGWPs beginning in 2014. CMS will provide guidance on the edit code changes in a future DDPS updates memorandum.

Example #10 EGWP plan in the deductible phase, non-LI beneficiary:
This example demonstrates how to report an EGWP PDE that falls within the deductible phase. In this example, the OHI benefit does not have a deductible. Note that the sponsor will report the beginning and ending benefit phases for the defined standard portion of the plan.

The beneficiary is enrolled in an EGWP and purchases a $100 drug, which includes $95.00 ingredient cost and $5.00 dispensing fee. Prior to this claim, the TGCDC accumulator is $200.00 and the TrOOP Accumulator is $170.00. The claim falls within the deductible phase of the defined standard benefit. Under the OHI benefit, the beneficiary does not have a deductible and has a $30.00 copay for this drug.

If the beneficiary were in a Defined standard plan, the beneficiary would pay $100.00. In this situation the OHI payer reduces the patient pay amount by $70.00. To determine the PLRO amount, take the original patient pay amount ($100.00) and subtract the Patient Pay amount reported by the OHI ($30.00). PLRO will be $70.00. Because the PDE falls within the deductible CPP is $0.00.

PDE Fields	**Value**
Total Gross Covered Drug Cost Accumulator	$200.00
True Out of Pocket Accumulator	$170.00
Beginning Benefit Phase	D
Ending Benefit Phase	D
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>
Patient Pay Amount	$30.00
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00

Patient Liability Reduction due to Other Payer (PLRO) Amount	$70.00
Covered D Plan Paid (CPP) Amount	$0.00
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00

The beneficiary liability for each cost component is: $28.50 for the ingredient cost and $1.50 dispensing fee. The next PDE will have a TGCDC Accumulator of $300.00 and a TrOOP Accumulator of $200.00.

Example #11 EGWP plan in the deductible phase and Low income beneficiary, beneficiary cost-sharing in defined standard benefit is less than cost sharing in EGWP plan:

This example demonstrates how to report an EGWP PDE that falls within the deductible phase of the defined standard benefit. In this example, the OHI benefit does not have a deductible. The beneficiary is a category 2 low income beneficiary and has a $3.60 copay for this drug.

There are two options for PDE reporting. Option 1: The plan applies the OHI benefit. Option 2: The plan does not apply the OHI benefit.

The beneficiary is enrolled in an EGWP and purchases a $100 drug, which includes $95.00 ingredient cost and $5.00 dispensing fee. Prior to this claim, the TGCDC accumulator is $200.00 and the TrOOP Accumulator is $170.00. The claim falls within the deductible phase of the defined standard benefit. Under the OHI benefit, the beneficiary does not have a deductible and has a $30.00 copay for this drug.

Option 1: In this option, the beneficiary's EGWP liability is greater than the beneficiary's liability would be under the defined standard benefit, and the plan applies the OHI benefit.

Step 1 Determine beneficiary cost-sharing in the Defined standard benefit: If the beneficiary were in a Defined standard plan, the beneficiary would pay $100.00.

Step 2 Determine LICS based upon the patient pay compared to the LICS copay amount:

The LICS amount is the difference between the non-low income beneficiary amount ($100.00) and the category two copay amount ($3.60), which is $96.40.

Step 3: The beneficiary has OHI in which the copay is $30.00. To determine PLRO, the OHI patient pay amount ($30.00) is subtracted from the original patient pay amount ($3.60). The PLRO amount is -$26.40.

If PLRO is negative, the LICS must be adjusted. To adjust LICS, sum the LICS and PLRO amounts.

LICS + PLRO ($96.40 + -$26.40) = $70.00 Adjusted LICS. PLRO in this case will be $0.00

PDE Fields	Value
Total Gross Covered Drug Cost Accumulator	$200.00
True Out of Pocket Accumulator	$170.00
Beginning Benefit Phase	D
Ending Benefit Phase	D
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>
Patient Pay Amount	$30.00
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$70.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$0.00
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00

Option 2: The plan only applies the Defined standard benefit.

In this case, the Defined standard non-LI beneficiary would pay $100.00. LICS is $100.00 - $3.60, which is $96.40. PLRO is $0.00 because the OHI benefit was not used.

PDE Fields	Value
Total Gross Covered Drug Cost Accumulator	$200.00
True Out of Pocket Accumulator	$170.00
Beginning Benefit Phase	D
Ending Benefit Phase	D
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>
Patient Pay Amount	$3.60
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$96.40
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$0.00
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00

Example #12 EGWP plan in the deductible phase and Low income beneficiary, beneficiary cost-sharing in defined standard is equal to cost sharing in EGWP plan:

This example demonstrates how to report an EGWP PDE that falls within the deductible phase. In this example, the OHI benefit has the same deductible as the defined standard benefit. The beneficiary is a category 2 low income beneficiary and has a $3.60 copay for this drug.

The beneficiary is enrolled in an EGWP and purchases a $100 drug, which includes $95.00 ingredient cost and $5.00 dispensing fee. Prior to this claim, the TGCDC accumulator is $200.00 and the TrOOP Accumulator is $170.00. The claim falls within the deductible phase of the defined standard benefit as well as the EGWP deductible. Under the OHI benefit, the beneficiary has a $3.60 copay for this drug.

Step 1 Determine beneficiary cost-sharing in the Defined standard benefit: If the beneficiary were in a Defined standard plan, the beneficiary would pay $100.00.

Step 2 Determine LICS based upon the patient pay compared to the LICS copay amount:

The LICS amount is the difference between the non-low income beneficiary amount ($100.00) and the category two copay amount ($3.60), which is $96.40.

Step 3: The beneficiary has OHI in which the copay is $3.60. To determine PLRO, the OHI patient pay amount ($3.60) is subtracted from the original patient pay amount ($3.60). The PLRO amount is $0.00.

PDE Fields	**Value**
Total Gross Covered Drug Cost Accumulator	$200.00
True Out of Pocket Accumulator	$170.00
Beginning Benefit Phase	D
Ending Benefit Phase	D
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>
Patient Pay Amount	$3.60
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$96.40
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$0.00
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00

Example #13 EGWP plan in the deductible phase and Low income beneficiary, beneficiary cost-sharing in defined standard is greater than cost sharing in EGWP plan:
This example demonstrates how to report an EGWP PDE that falls within the deductible phase. In this example, the OHI benefit does not have a deductible. The beneficiary is a category 2 low income beneficiary and has a $3.60 copay for this drug.

The beneficiary is enrolled in an EGWP and purchases a $100 drug, which includes $95.00 ingredient cost and $5.00 dispensing fee. Prior to this claim, the TGCDC accumulator is $200.00 and the TrOOP Accumulator is $170.00. The claim falls within the deductible phase of the defined standard benefit. Under the OHI benefit, the beneficiary does not have copay for this drug.

Step 1 Determine beneficiary cost-sharing in the Defined standard benefit:

If the beneficiary were in a Defined standard plan, the beneficiary would pay $100.00.

Step 2 Determine LICS based upon the patient pay compared to the LICS copay amount:

The LICS amount is the difference between the non-low income beneficiary amount ($100.00) and the category two copay amount ($3.60), which is $96.40.

Step 3: The beneficiary has OHI in which there is no copay. To determine PLRO, the OHI patient pay amount ($0.00) is subtracted from the original patient pay amount ($3.60). The PLRO amount is $3.60.

PDE Fields	**Value**
Total Gross Covered Drug Cost Accumulator	$200.00
True Out of Pocket Accumulator	$170.00
Beginning Benefit Phase	D
Ending Benefit Phase	D
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>
Patient Pay Amount	$0.00
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$96.40
Patient Liability Reduction due to Other Payer (PLRO) Amount	$3.60
Covered D Plan Paid (CPP) Amount	$0.00
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00

Example #14 EGWP plan, claim straddles the deductible phase and the initial coverage phase and Low income beneficiary category 4

In this example, the OHI benefit has the same deductible as the category 4 low income beneficiary, which is $63.00.

The beneficiary is enrolled in an EGWP and purchases a $100 drug, which includes $95.00 ingredient cost and $5.00 dispensing fee. Prior to this claim, the TGCDC accumulator is $50.00 and the TrOOP Accumulator is $50.00. The claim is completely within the deductible phase of the defined standard benefit. The EGWP plan offers 20% coinsurance after the EGWP deductible is met.

There are two options for PDE reporting. Option 1: The plan applies the OHI benefit. Option 2: The plan does not apply the OHI benefit.

Option 1: In this option, the EGWP liability is greater than the member's category 4 liability and the plan applies the OHI benefit.

Step 1 Determine beneficiary cost-sharing in the Defined standard benefit: If the beneficiary were in a Defined standard plan, the beneficiary would pay $100.00.

Step 2 Determine LICS based upon the patient pay compared to the LICS coinsurance amount:

The category 4 beneficiary must pay $13.00 in the deductible. After the deductible is met, the beneficiary coinsurance is 15%. The beneficiary pays 15% of $87.00 or $13.05. The LICS amount is the difference between the non-low income beneficiary amount ($100.00) and the category 4 coinsurance amount ($26.05), which is $73.95.

Step 3: The beneficiary has OHI in which there is a $63.00 deductible and 20% coinsurance after the EGWP deductible is met. The beneficiary would pay $13.00 in the deductible and $17.40 in the EGWP's initial coverage phase. To determine PLRO the OHI patient pay amount ($30.40) is subtracted from the original patient pay amount ($26.05). The PLRO amount is -$4.35.

Because PLRO is negative, LICS will have to be adjusted. Adjusted LICS is the sum of LICS ($73.95) and (-$4.35), which is $69.60.

PDE Fields	**Value**
Total Gross Covered Drug Cost Accumulator	$50.00
True Out of Pocket Accumulator	$50.00
Beginning Benefit Phase	D
Ending Benefit Phase	D
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>
Patient Pay Amount	$30.40
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$69.60
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$0.00
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00

Option 2: The plan only applies the Defined standard benefit.

In this case, the Defined standard non-LI beneficiary would pay $100.00. LICS is $100.00 - $26.05, which is $73.95 PLRO is not populated and LICS is not adjusted because the OHI benefit was not applied.

PDE Fields	Value
Total Gross Covered Drug Cost Accumulator	$50.00
True Out of Pocket Accumulator	$50.00
Beginning Benefit Phase	D
Ending Benefit Phase	D
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>
Patient Pay Amount	$26.05
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$73.95
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$0.00
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00

Example #15: EGWP plan in the ICP:

The beneficiary is enrolled in an EGWP and purchases a $100 drug ($93.00 ingredient cost, $2.00 dispensing fee, $5.00 sales tax). Prior to this claim the TGCDC accumulator is $500.00 and the TrOOP Accumulator is $475.00. The claim falls within the initial coverage phase. Under the OHI benefit, the beneficiary pays $5.00.

If the beneficiary were in a defined standard plan the beneficiary would pay $25.00. The OHI payer reduces the beneficiary cost by $20.00. To determine the PLRO amount, take the original patient pay amount ($25.00) and subtract the Patient Pay amount reported by the OHI ($5.00). PLRO will be $20.00. Because the PDE falls within the deductible CPP is $75.00.

PDE Fields	Value
Total Gross Covered Drug Cost Accumulator	$500.00
True Out of Pocket Accumulator	$357.50
Beginning Benefit Phase	N
Ending Benefit Phase	N
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>
Patient Pay Amount	$5.00
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$20.00
Covered D Plan Paid (CPP) Amount	$75.00
Non Covered Plan Paid (NPP) Amount	$0.00

Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00

The beneficiary copay of $5.00 includes: $4.65 ingredient cost, $0.10 dispensing fee, and $0.25 sales tax. The next PDE will have a TGCDC Accumulator of $600.00 and a TrOOP Accumulator of $362.50.

Example #16: EGWP plan in the ICP and the OHI benefit charges a higher copay than the defined standard benefit

The beneficiary is enrolled in an EGWP and purchases a $100 drug ($93.00 ingredient cost, $2.00 dispensing fee, $5.00 sales tax). Prior to this claim the TGCDC accumulator is $500.00 and the TrOOP Accumulator is $475.00. The claim falls within the initial coverage phase. Under the OHI benefit, the beneficiary pays $30.00. The sponsor may only apply the defined standard benefit (option 1) or the sponsor may apply both benefits (option 2). Each scenario will be provided below.

If the beneficiary were in a defined standard plan the beneficiary would pay $25.00. In option 1, the beneficiary pays the defined standard amount of $25.00. In option 2, the OHI payer increases the beneficiary cost by $5.00. To determine the PLRO amount, take the original patient pay amount ($25.00) and subtract the Patient Pay amount reported by the OHI ($30.00). PLRO will be -$5.00. Because the PDE falls within the deductible CPP is $75.00.

PDE Fields	Option 1	Option 2
Total Gross Covered Drug Cost Accumulator	$500.00	$500.00
True Out of Pocket Accumulator	$357.50	$357.50
Beginning Benefit Phase	N	N
Ending Benefit Phase	N	N
Pricing Exception Code	<blank>	<blank>
Non-Standard Format Code	<blank>	<blank>
Patient Pay Amount	$25.00	$30.00
Other TrOOP Amount	$0.00	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00	-$5.00
Covered D Plan Paid (CPP) Amount	$75.00	$75.00
Non Covered Plan Paid (NPP) Amount	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00	$100.00

In option 1, the beneficiary coinsurance of $25.00 includes: $23.25 ingredient cost, $0.50 dispensing fee, and $1.25 sales tax. In option 2, the beneficiary copay of $30.00 includes: $27.90 ingredient cost, $0.60 dispensing fee, and $1.50 sales tax. In option 1, the next PDE will have a TGCDC Accumulator of $600.00 and a TrOOP Accumulator of $382.50. In option 2, the next PDE will have a TGCDC Accumulator of $600.00 and a TrOOP Accumulator of $387.50.

Example #17 EGWP plan in the Coverage Gap phase:
The beneficiary is enrolled in an EGWP and purchases a $100.00 brand drug. The cost of the drug includes a $2.00 dispensing fee. Prior to this claim the TGCDC accumulator is $3000.00 and the TrOOP Accumulator is $1,052.50. The claim falls within the coverage gap phase. Under the OHI benefit, the beneficiary pays $25.00.

This example demonstrates that the gap discount applies first before any secondary payer receives the claim.

Step 1: Determine costs that fall within the Coverage Gap: The beneficiary's Gross Covered Drug Cost has exceeded the Initial Coverage Limit (TGCDC > ICL), and the beneficiary's TrOOP remains below the TrOOP threshold (Accumulated TrOOP < TrOOP threshold) through the processing of the claim. The beginning and ending benefit phase is the coverage gap phase.

PDE Fields	**Claim Total**
Total Gross Covered Drug Cost Accumulator	$3,000.00
True Out of Pocket Accumulator	$1,052.50
Beginning Benefit Phase	G
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

Step 2: Determine the discount eligible cost: The discount eligible cost is $98.00, which is the ingredient cost. The $2.00 dispensing fee is excluded from the discount eligible cost.

PDE Fields	**Claim Total**
Ingredient Cost Paid	$98.00
Total Amount Attributed to Sales Tax	$0.00
Discount Eligible Cost	$98.00

Step 3: Calculate the Gap Discount: The gap discount is 50% of the discount eligible cost. In this example, the gap discount is .5*$98.00 = $49.00

Step 4: Determine beneficiary cost-sharing: Under the defined standard benefit, the beneficiary would pay 47.5% of the ingredient cost (.475* $98.00 = $46.55) and 47.5% of the dispensing fee (.475 * $2.00 = $0.95) which amounts to $47.50. In this example, the beneficiary has an OHI payer, which reduces the beneficiary copay to $25.00. To determine PLRO, subtract the OHI payer amount from the original patient pay amount. In this example, $47.50 - $25.00 = $22.50.

The beneficiary copay of $25.00 is 25% of the ingredient cost ($24.50) and 25% of the dispensing fee ($0.50).

Step 5: Calculate Covered and non-Covered Portion of Plan Paid cost-sharing: In 2014, when a claim with a gap discount falls squarely in the Coverage Gap, the plan will report 2.5% of the negotiated price and 52.5% of the dispensing fee as CPP. In this example, CPP will be the sum of 2.5% of $98.00 ($2.45) and 52.5% of $2.00 ($1.05) or $3.50.

PDE Reporting:

PDE Fields	Value
Reported Gap Discount	$49.00
Patient Pay Amount	$25.00
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$22.50
Covered D Plan Paid (CPP) Amount	$3.50
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA	$0.00

Step 6: Update Gross Covered Drug Cost Accumulator and TrOOP Accumulator in preparation for adjudicating the next claim: After the claim is processed the TGCDC Accumulator will increase by $100.00 from $3,000.00 to $3,100.00 and the TrOOP Accumulator will increase by $74.00 from $1,052.50 to $1,126.50.

Example #18 EGWP plan PDE that would straddle the Coverage gap and catastrophic phases if OHI did not apply:

The beneficiary is enrolled in an EGWP and purchases a $1,000.00 brand drug. The cost of the drug includes a $2.00 dispensing fee, $5.00 sales tax, and $993.00 ingredient cost. Prior to this claim the TGCDC accumulator is $6,403.72 and the TrOOP Accumulator is $4,475.00. According to the TrOOP Accumulator, only $75 of TrOOP remains. If this were a defined standard benefit without OHI, the PDE would straddle the coverage gap and catastrophic coverage phases. However, this is an EGWP with OHI and under the combined benefit, the beneficiary pays $25.00 in the coverage gap phase and the catastrophic benefit is the same as the defined standard benefit. The claim falls completely in the coverage gap phase because the OHI reduces the patient pay amount so that the sum of the patient pay and reported gap discount amount are less than remaining TrOOP. Under this scenario, the EGWP is administering one benefit package that is the combination of the Part D defined standard benefit and OHI, and reports the PDE using this information.

Step 1: Determine costs that fall within the Coverage Gap: The beneficiary's Gross Covered Drug Cost has exceeded the Initial Coverage Limit (TGCDC > ICL), and the beneficiary's TrOOP remains below the TrOOP threshold (Accumulated TrOOP < TrOOP threshold). The remaining TrOOP amount is $75.00. If this plan were a defined standard plan with no OHI, the claim would straddle the catastrophic coverage phase. It would be assumed that the dispensing fee is in the catastrophic coverage phase. To determine the drug cost remaining in the coverage gap based upon the defined standard benefit, the remaining TrOOP is divided by 1- plan cost-sharing or $75.00/.975 = $76.92

PDE Fields	Claim Total
Total Gross Covered Drug Cost Accumulator	$6,403.72
True Out of Pocket Accumulator	$4,475.00
Beginning Benefit Phase	G
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Fields	Claim Total
Ingredient Cost Paid	$993.00
Dispensing Fee Paid	$2.00
Total Amount Attributed to Sales Tax	$5.00

Step 2 Determine Discount Eligible Cost: The discount eligible cost is $76.92.

Step 3 Calculate Gap Discount: The gap discount is 50% of the discount eligible cost. In this example, the gap discount is .5*$76.92 = $38.46

Step 4 Determine beneficiary cost-sharing in the Coverage Gap: Under the defined standard benefit, the beneficiary would pay 47.5% of the ingredient cost and sales tax in the gap (.475* $76.92 = $36.54). The OHI will reduce the beneficiary cost-sharing to $25.00. This reduction in patient liability reduces the accumulated TrOOP. The accumulated TrOOP is now $38.46 + $25.00 = $63.46. Because the TrOOP remains below the OOP threshold, the entire claim falls within the coverage gap.

Step 5 Calculate Covered Portion of Plan Paid Cost-sharing and OHI cost-sharing:

In 2014, when a claim with a gap discount falls in the Coverage Gap, the plan will report 2.5% of the negotiated price and 52.5% of the dispensing fee that fall in the gap as CPP. Prior to the OHI, CPP is determined to be 2.5% of the portion of the ingredient cost and sales tax in the gap, which is 2.5% of $76.92 or $1.92.

Because the EGWP is administering the combination of the Part D defined standard benefit and OHI, the OHI pays the remaining cost of the drug which is $923.08.

Step 7 Determine beneficiary liability for dispensing fee and vaccine administration fee: The OHI pays the remaining cost of the drug, which includes the dispensing fee; therefore, the beneficiary liability for the dispensing fee is $0.00. The beneficiary liability for the claim is $25.00, which includes a portion of the ingredient cost ($24.87) and a portion of the sales tax ($0.13).

Step 8 Determine beneficiary liability for cost falling outside of the Coverage Gap:
The claim remains in the coverage gap; therefore the beneficiary does not have any liability outside of the coverage gap.

PDE Fields	Value
Reported Gap Discount	$38.46
Patient Pay Amount	$25.00
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$934.62
Covered D Plan Paid (CPP) Amount	$1.92
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$1,000.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00

Step 9: Update Gross Covered Drug Cost Accumulator and TrOOP Accumulator in preparation for adjudicating the next claim: After the claim is processed the TGCDC Accumulator will increase by $1000.00 from $6,403.72 to $7,403.72 and the TrOOP Accumulator will increase by $63.46 from $4,475.00 to $4,538.46.

Example #19: OTC drug for EGWP (same as OTC for Defined standard plan)
The beneficiary purchases a formulary OTC as part of step therapy and the negotiated price is $10.00. The drug cost must be reported in the NPP field, which is consistent with our current guidance for the reporting of OTC drugs for defined standard benefit plans.

PDE Fields	Claim Total
Total Gross Covered Drug Cost Accumulator	<blank>
True Out of Pocket Accumulator	<blank>
Beginning Benefit Phase	<blank>
Ending Benefit Phase	<blank>
Drug Coverage Status Code	O
GDCB	$0.00
GDCA	$0.00
CPP	$0.00
NPP	$10.00
Patient Pay Amount	$0.00
Reported Gap Discount Amount	$0.00

Copay amount is greater than the remaining TrOOP amount

In the 2013 PDE guidance, an example was provided in which a claim straddled the coverage gap and catastrophic coverage phases (example #11). In this example, the copay amount is greater than the amount remaining in TrOOP. The copay is capped in this example as opposed to being split between the coverage gap phase and the catastrophic coverage phase. A few sponsors requested an explanation for capping the copay amount. If the beneficiary paid the full copay amount, the beneficiary cost in the coverage gap would exceed TrOOP. Prior to the 2013 PDE guidance, CMS did not release guidance or PDE examples addressing the scenario in which the copay amount is greater than the remaining TrOOP amount. CMS expects sponsors to report PDEs that meet this scenario beginning with benefit year 2013 PDEs.

The following example shows how this rule applies to straddle claims in which there is a copay in the coverage gap and coinsurance in the catastrophic coverage phase.

Example #20: A beneficiary is enrolled in an EA plan and purchases a $202.00 drug. The cost of the drug includes a $2.00 dispensing fee. The beneficiary has a $35 copay in the coverage gap for this drug. The TrOOP accumulator is $4530.00 prior to this claim.

Step 1: Determine costs that fall in the Coverage Gap:
In this example, the drug cost is $202.00, which includes a $2.00 dispensing fee. When the claim adjudication begins the TGCDC Accumulator is $6,400.00 and the TrOOP Accumulator is $4,530.00. The beginning phase is the Coverage Gap. The beneficiary copay is $35.00 but there is $20.00 in remaining TrOOP. The beneficiary copay is capped at $20.00 and a portion of the claim is within the catastrophic coverage phase.

PDE Fields	**Value**
Total Gross Covered Drug Cost Accumulator	$6,400.00
True Out of Pocket Accumulator	$4,530.00
Beginning Benefit Phase	G
Ending Benefit Phase	C
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Field	**Reported on the PDE Record**	**Coverage Gap Phase**	**Catastrophic Phase**
Ingredient Cost Paid	$195.00	$19.50	$175.50
Dispensing Fee Paid	$2.00	$0.00	$2.00
Total Amount Attributed to Sales Tax	$5.00	$0.50	$4.50
Vaccine Administration Fee	$0.00	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$20.00		
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$182.00		

Step 2 Determine Plan Liability: In this example, the sponsor's benefit has a copay of $35.00 in the Coverage Gap. Because the copay in the Coverage Gap is greater than the remaining TrOOP amount, the beneficiary copay is $20.00 and there is no plan liability.

Step 3 Determine Discount Eligible Cost:
In this example, the discount eligible cost is the total cost in the gap minus plan liability. The discount eligible cost is \$20.00 - \$0.00 = \$20.00

Step 4 Calculate Gap Discount: The gap discount is 50% of the \$20.00 discount eligible cost or \$10.00.

Step 5 Determine beneficiary cost-sharing in the Coverage Gap
The beneficiary is responsible for the remainder of the discount eligible cost less the gap discount amount, or \$20.00 - \$10.00 = \$10.00. The beneficiary pays \$9.75 in ingredient cost and \$0.25 in sales tax.

Step 6 Determine CPP and NPP amounts:
Although there is no plan liability, CPP will be mapped to the defined standard benefit. To determine CPP, we map 2.5% of the ingredient cost and sales tax to CPP. CPP is 2.5% of \$20.00 or \$0.50. The dispensing fee is outside of the Coverage Gap so total CPP in the Coverage Gap is \$0.50. NPP is calculated as the drug cost in the gap minus the sum of the reported gap discount, patient pay amount, and CPP. NPP = \$20.00 – (\$10.00 + \$10.00 +\$0.50) or -\$0.50. The sum of CPP and NPP is zero which equals the plan liability determined in step 1.

The remaining \$182.00 of the claim falls within the catastrophic phase. CPP is the lesser of 95% or drug cost in catastrophic minus \$6.35. In this case, CPP is \$172.90.

Step 7 Determine beneficiary liability for dispensing fee and vaccine administration fee:
Because the value of the drug cost falling outside of the Coverage Gap exceeds the sum of the dispensing fee, we assume the fee falls with the catastrophic phase. The beneficiary does not have any liability due to these fees in the gap in this example.

Step 8 Determine beneficiary liability for cost falling outside of the Coverage Gap:
Because the claim straddles the gap and catastrophic phase in a copay to coinsurance situation, the beneficiary is responsible for the greater of 5% or \$6.35. In this case, the beneficiary is responsible for a coinsurance of \$9.10 (\$8.78 ingredient cost, \$0.10 dispensing fee, and \$0.22)

PDE Fields	**Value**
Reported Gap Discount	\$10.00
Patient Pay Amount	\$19.10
Other TrOOP Amount	\$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	\$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	\$0.00
Covered D Plan Paid (CPP) Amount	\$173.40
Non Covered Plan Paid (NPP) Amount	-\$0.50
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$20.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$182.00

Step 9: Update Gross Covered Drug Cost Accumulator and TrOOP Accumulator in preparation for adjudicating the next claim: After the claim is processed the TGCDC Accumulator will increase by $202.00 from $6,400.00 to $6,602.00 and the TrOOP Accumulator will increase by $20.00 from $4,530.00 to $4,550.00.

Capping copays for straddle claims

To date we have been silent on a policy for capping the copay for PDEs that straddle other benefit phases. We received several comments from the industry asking us to provide additional examples to clarify our position on this issue.

Our policy is to cap the copay at the remainder of the cost of the drug in the ICP. In the same way that in the case of a Gap to Catastrophic claim, the beneficiary is “entitled” to the benefit in the next phase because they have satisfied the TrOOP threshold, we believe that a beneficiary that fills a prescription that straddles the ICP and Gap is “entitled” to the gap phase benefit when the ICL is reached, even if this occurs mid-claim.

Example #21: A beneficiary is enrolled in a Basic Alternative plan and purchases a $202.00 drug. The cost of the drug includes a $2.00 dispensing fee. The beneficiary has a $30 copay in the initial coverage phase for this drug.

Step 1: Determine costs that fall in the Coverage Gap:
In this example, the drug cost is $202.00, which includes a $2.00 dispensing fee. When the claim adjudication begins the TGCDC Accumulator is $2,821.00 and the TrOOP Accumulator is $937.75. The beginning phase is the initial coverage phase. The beneficiary copay is $30.00 but there is $29.00 in drug cost remaining in the initial coverage phase.

Because the copay exceeds the amount of drug cost remaining before the ICL is reached, the copay is capped at the remaining amount of $29.

The first $29.00 of the claim falls in the ICP. The remaining $173.00 falls in the Coverage gap.

PDE Fields	**Value**
Total Gross Covered Drug Cost Accumulator	$2,821.00
True Out of Pocket Accumulator	$937.75
Beginning Benefit Phase	N
Ending Benefit Phase	G
Pricing Exception Code	<blank>
Non-Standard Format Code	<blank>

PDE Field	Reported on the PDE Record	Initial Coverage Phase	Coverage Gap Phase
Ingredient Cost Paid	$195.00	$26.33	$168.67
Dispensing Fee Paid	$2.00	$2.00	$0.00
Total Amount Attributed to Sales Tax	$5.00	$0.67	$4.33
Vaccine Administration Fee	$0.00	$0.00	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$202.00		
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00		

Step 2 Determine Discount Eligible Cost: The dispensing fee falls completely outside of the coverage gap and therefore the discount eligible cost is the portion of the ingredient cost and sales tax that falls in the coverage gap, which is $173.00.

Step 3 Calculate Gap Discount: The gap discount is 50% of the $173.00 discount eligible cost or $86.50.

Step 4 Determine beneficiary cost-sharing
The beneficiary is responsible for the $29.00 capped copay in the initial coverage phase. In the Coverage Gap, the beneficiary pays 47.5% of the discount eligible cost, which is $82.17.

Step 5 Calculate Covered Portion of Plan Paid Cost-sharing:
CPP is 2.5% of the ingredient cost and sales tax to CPP. CPP is 2.5% of $173.00 or $4.33. The dispensing fee is outside of the Coverage Gap so total CPP in the Coverage Gap is $4.33.

PDE Fields	Value
Reported Gap Discount	$86.50
Patient Pay Amount	$111.17
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy (LICS) Amount	$0.00
Patient Liability Reduction due to Other Payer (PLRO) Amount	$0.00
Covered D Plan Paid (CPP) Amount	$4.33
Non Covered Plan Paid (NPP) Amount	$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	$202.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00

Step 6: Update Gross Covered Drug Cost Accumulator and TrOOP Accumulator in preparation for adjudicating the next claim: After the claim is processed the TGCDC

Accumulator will increase by $202.00 from $2,821.00 to $3,023.00 and the TrOOP Accumulator will increase by $197.67 from $937.75 to $1,135.42.