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TO: All Medicare Advantage Organizations and Prescription Drug Plan Sponsors

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SUBJECT: Contract Year 2025 Part C and Part D Baseline Out-of-Pocket Cost Models

The purpose of this memorandum is to announce that the contract year (CY) 2025 Part C and Part D Baseline Out-of-Pocket Cost (OOPC) Models are available for Medicare Advantage Organizations (MAOs) and Prescription Drug Plans (PDPs) to calculate their updated CY 2025 OOPC values. The values produced from these models are based on CY 2025 approved bids and will serve as the baseline for the Medicare Advantage (MA) Total Beneficiary Cost (TBC) calculation for evaluating the TBC change between CY 2025 and CY 2026. The CY 2026 Part C and Part D Bid Review OOPC Models are expected to be released in April 2025 and will be used in CMS' review of CY 2026 bids, to include PDP Meaningful Difference and MA TBC reviews, as well as for evaluating enhanced alternative requirements as detailed in forthcoming CY 2026 Part D Redesign Program Instructions. Consistent with last year, the CY 2026 Part D Bid Review OOPC Model will be refreshed in late May 2025.

General Information

The CY 2025 Part C and Part D Baseline OOPC Models may be accessed at: <https://www.cms.gov/medicare/coverage/prescription-drug-coverage/out-of-pocket-costs>. CMS encourages PDPs and MAOs to run their plan benefit structures through the updated OOPC model to test their current benefit design in preparation for CY 2025 bids. For the TBC evaluation, please note that MAOs will need to calculate their Part C and Part D OOPC values separately and combine them for their total OOPC value. As in the past, all MA plans (including those that do not include a Part D benefit) will have both a Part C and a Part D OOPC value.

The updates in the CY 2025 Part C and Part D Baseline OOPC Models include:

- The CY 2025 Part C Baseline OOPC Model includes updated Medicare Current Beneficiary Survey (MCBS) utilization, cost data and inflation factors from 2020 and 2021, which reflect CY 2025 levels.

- The CY 2025 Part C Baseline OOPC Model was also updated to reflect 2025 deductibles, coinsurance, and premiums for Medicare Part A and Part B.
- The CY 2025 Part D Baseline OOPC Model uses an updated Formulary Reference Files (FRF), namely the CY 2025 FRF released in September 2024 and its associated cross-reference files to generate the beneficiary prescription drug input file. The CY 2025 Part D Bid Review OOPC Model, released April 16, 2024, used the CY 2025 FRF released in March 2024. The refreshed model, released May 24, 2024, used the CY 2025 FRF released in May 2024.

For convenience, CMS has generated CY 2025 Part C and Part D Baseline OOPC Model values for organizations and posted these values in HPMS. MAO OOPC values can be viewed in HPMS under: **Quality and Performance > Performance Metrics > Reports > Costs > Part C Out-of-Pocket Costs > 2025**. PDP OOPC values can be viewed in HPMS under: **Quality and Performance > Performance Metrics > Reports > Costs > Part D Out-of-Pocket Costs > 2025**. Please note that previous versions of the OOPC and TBC data will continue to be accessible in HPMS. While values have historically been provided for Medicare-Medicaid Plans and Section 1876 Cost Plans, they are not included in this posting, as the TBC and meaningful difference requirements do not apply to these plan types.

The CY 2025 Part D Baseline OOPC Model uses a different version of the drug list (RXCUI_REFERENCE.xpt) than will be used in the CY 2026 Part D Bid Review OOPC Model expected to be released in April 2025. The drug list for the CY 2025 Part D Baseline OOPC Model incorporates information from the September 2024 version of the CY 2025 FRF and other input sources (NDC databases, FDA Brand/Generic definitions, Generic Substitution, Potential Formulary Alternatives, and 2023 PDE average prices). The CY 2026 Part D Bid Review OOPC Model will incorporate updated versions of these files for CY 2026, as well as updated PDE average prices and updated drug utilization for a 2024 0.1% sample of Part D Medicare beneficiaries. The resulting differences from the two different drug list files may not be reflected by the OOPC model change factor and may yield OOPC value differences. It will be the responsibility of plan sponsors to address significant OOPC value differences through the benefit and formulary design.

For technical and policy related questions the following resources are available:

- For Part C policy related questions, such as TBC, please contact <https://mabenefitsmailbox.lmi.org>
- For Part D policy related questions about meaningful difference, please submit an email to partdbenefits@cms.hhs.gov
- For technical questions about the Bid Pricing Tool, please submit an email to actuarial-bids@cms.hhs.gov
- For technical questions about the 2025 Baseline OOPC Model, please submit an email to OOPC@cms.hhs.gov