

DEPARTMENT OF HEALTH & HUMAN SERVICES
Centers for Medicare & Medicaid Services
7500 Security Boulevard
Baltimore, Maryland 21244-1850



CENTER FOR MEDICARE

DATE: January 17, 2025
TO: All Part D Sponsors
FROM: Jennifer R. Shapiro, Director, Medicare Plan Payment Group
SUBJECT: Completion of the Coverage Gap Discount Reconciliation for Benefit Year 2023

The Centers for Medicare & Medicaid Services (CMS) is anticipating completing the calculations for the 2023 Final Part D Coverage Gap Discount (CGD) Reconciliation in February 2025. The calculations will be performed in accordance with § 1860D-14A of the Social Security Act and 42 C.F.R. § 423.2320. The reconciliation calculations will utilize the following:

- All CGD Prescription Drug Event (PDE) data with a processed date, found on the Prescription Drug Front-end System (PDFS) response report, on or before June 30, 2024, and invoiced through the quarter 6 invoice for 2023;
- The prospective Coverage Gap Discount Subsidy Amounts (CGDSA), beginning with January 2023 and ending with 2023 adjustments in January 2024; and
- All plan information received in the Health Plan Management System (HPMS) through January 2025 for benefit year 2023.

Sequestration

Prospective CGDSA is subject to sequestration in accordance with the Balanced Budget and Emergency Deficit Control Act of 1985 (BBEDCA). The Protecting Medicare and American Farmers from Sequestration Cuts Act, enacted on December 10, 2021, amended BBEDCA and made various changes to the mandatory payment reduction percentage through fiscal year 2030. Based on the current statute, a two percent mandatory payment reduction applied to prospective CGDSA in all of CY 2023.

Because the sequestration amount subtracted from the prospective CGDSA is at the contract level and reconciliation is performed at the plan benefit package (PBP) level, CMS reallocates sequestration amounts to the PBP level prior to performing reconciliation calculations. If a contract has more than one PBP, the sequestration amount is allocated among the non-Employer Group Waiver Plan (EGWP) PBPs based on member month count (MMC) for the PBP for benefit year 2023. For example, if a contract has two PBPs, PBP "A" with 60 member months and PBP "B" with 40 member months, 60 percent of the total sequestration amount for the contract is allocated to the PBP "A" and the remaining sequestration amount is allocated to the PBP "B." The sequestration amount will be reflected on your CGD reconciliation inputs report on the Medicare beneficiary identifier record identified as "ADJUSTMENT".

Manufacturer Bankruptcy

Pursuant to 42 C.F.R. § 423.2320(c), if a manufacturer declares bankruptcy and, because of the bankruptcy, does not pay its quarterly invoices used in the CGD reconciliation, CMS adjusts the coverage gap reconciliation amount of each of the affected Part D sponsors to account for the total unpaid quarterly invoices. For this coverage gap reconciliation, CMS adjusted for any unpaid invoices through the quarter 6 invoices for benefit year 2023. The adjustment amount for impacted sponsors will be reflected on the CGD reconciliation inputs report on the Medicare beneficiary identifier record identified as “ADJUSTMENT”.

Although EGWPs are not part of the CGD reconciliation because that plan type does not receive prospective coverage gap payments, that plan type will receive a payment adjustment for any unpaid invoices related to manufacturer bankruptcy through quarter 6 invoices for CY 2023. EGWPs impacted by manufacturer bankruptcy will receive CGD reconciliation reports at the same time and in the same manner as the other plan types included in the CGD reconciliation. Impacted EGWPs will see a payment adjustment in the same month that other plan types included in the CGD reconciliation will see payment adjustments to remit and recover the calculated CGD reconciliation amounts.

Reports

The CGD reconciliation reports will be distributed to impacted sponsors for download via the Third Party Administrator (TPA) Manufacturer Payment Portal (MPP) on February 27, 2025. If you cannot access these reports, please contact the TPA at 877-534-2772, Option 1.

Payment adjustments to remit and recover these calculated CGD reconciliation amounts are planned for the April 2025 payment. As part of the Part D CGD reconciliation process, these final reconciled gap discount program payments will be subject to the reopening and appeals provisions found at 42 C.F.R. §§ 423.346 and 423.350, respectively.

Reopening Process

Part D sponsors can submit requests for reopening, as instructed in the HPMS memorandum, “Updates to the Reopening Request Spreadsheet,” June 1, 2017.¹ Additionally, CMS may reopen final CGD determinations at its discretion.

Any questions regarding the reopening process may be emailed to the Payment Process Contractor at PartDPaymentSupport@acumenllc.com.

Appeals Process

Appeals are filed when a plan sponsor does not believe that CMS applied its stated payment methodology correctly. Refer to 42 C.F.R. § 423.350 and the May 8, 2008 HPMS memorandum, “The Part D Reopening Process and the Part D Appeals Process.”²

If you wish to appeal, your request for reconsideration must be filed and received no later than Saturday, March 14, 2025. Requests for reconsideration should be addressed to Jennifer R. Shapiro, Director, Medicare Plan Payment Group, and emailed to the Payment Process Contractor at PartDPaymentSupport@acumenllc.com.

Thank you.

¹ Memo is available at the [CMS.gov Memo Archive](#).

² Memo is available at the [CMS.gov Memo Archive](#). Note that the reopening process described in the May 8, 2008 HPMS memorandum, *The Part D Reopenings Process and the Part D Appeals Process*, has been updated by the December 29, 2015, June 1, 2017, and April 6, 2018 HPMS memoranda; however, the appeals process described is still current (with the exception of the contractor’s contact information) and should be followed to file an appeal.