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## **CMS Ensures Greater Value For People In Medicare Drug And Health Plans**

### *Rate Announcement Details Plan Payments & Other Program Updates for 2014*

Today, the Centers for Medicare & Medicaid Services (CMS) issued the 2014 rate announcement and final call letter for Medicare Advantage (MA) and prescription drug benefit (Part D) programs. The announcements set a stable path for Medicare Advantage and implement a number of policies designed to improve payment accuracy. Health care spending has been slowing across the nation, with Medicare spending per beneficiary growing at only 0.4 percent per capita in 2012. For the first time since inception of the Part D program, the deductible for the defined standard plan will be lower in 2014 than in previous years. Today's guidance will give people in Medicare health and drug plans more value in the care they receive and greater protections against increasing costs.

Since enactment of the Affordable Care Act in 2010, Medicare Advantage enrollment is up by 25 percent while premiums have fallen. Medicare Advantage will remain a strong option for beneficiaries under the policies announced today.

"The policies announced today further the agency's goal of improving payment accuracy in all our programs, while at the same time ensuring program stability and preserving beneficiary choice," said Jonathan Blum, CMS acting principal deputy administrator.

After careful consideration of public comments, key changes and updates finalized in the Rate Announcement and final Call Letter include:

- **Lower Out-of-Pocket Drug Spending:** As detailed in the table below, deductible and out-of-pocket limit for the defined standard prescription drug (Part D) plan, will be lower in 2014, compared to 2013. Beneficiary costs will be further reduced as coverage for Medicare enrollees who have reached the prescription drug coverage gap, or "donut hole" continues to expand in 2014. As a result of the Affordable Care Act, in 2014, enrollees in the donut hole will receive coverage and discounts of 52.5 percent on covered brand name drugs and coverage of 28 percent on covered generic drugs. To date, 6.3 million beneficiaries have received savings of \$6.1 billion on prescription drugs.

- **Greater Protection for Beneficiaries:**
  - As authorized by the Affordable Care Act, to protect enrollees in Medicare Advantage plans from significant increases in costs or cuts in benefits from one year to the next, the amount of any permissible increase to total beneficiary costs is limited to \$34 per member per month for 2014 (down from \$36 per member per month in previous years).
  - To avoid unnecessary and unwanted prescriptions being delivered and charged to Medicare enrollees because of “auto-ship” services, Part D plans will require their network pharmacies to obtain enrollee consent prior to each delivery, unless the enrollee personally requests the refill. CMS strongly encourages Part D plans to implement this consent requirement for the remainder of this year.
- **Payments to Plans**
  - The final estimate of the combined effect of the Medicare Advantage growth percentage and the fee-for-service growth percentage is 3.3 percent. These growth rates assume a zero percent change for the 2014 physician fee schedule (PFS) by taking into account the likely Congressional override of the schedule physician payment reduction.
  - CMS will continue implementation of payment based on quality in Medicare Advantage. Over the last year, the number of four and five star plans has increased significantly, with 127 such plans in Medicare Advantage in 2013, 21 more than the prior year.
  - Other changes that are being finalized as proposed will continue the phased-in alignment of MA benchmarks with Medicare fee-for-service (FFS) costs, and adjust for diagnostic coding differences between Medicare Advantage plans and Medicare fee-for-service providers.
- **Improved Risk Adjustment Model:** CMS will implement the proposed updated and clinically revised risk adjustment model which also limits opportunities for Medicare Advantage plans to be paid more for better coding improvements. As a transitional step, the risk scores for 2014 will be a blend of those calculated under the 2014 and 2013 models.
- **Improved Coordination of Care:** In coordination with the Million Hearts initiative, plans are encouraged to improve access and adherence to anti-hypertensive medications by expanding their target enrollee populations for medication therapy

management (MTM). Individuals who receive MTM may experience better blood pressure control, increased adherence to these vital medications, and better self-management of their medications and health condition.

The 2014 statutory updates to the annual parameters for the defined standard Part D prescription drug benefit are finalized as proposed:

<b>Part D Benefit Parameters</b>	<b>2013</b>	<b>2014</b>
<b>Defined Standard Benefit</b>		
Deductible	\$325	\$310
Initial Coverage Limit	\$2,970	\$2,850
Out-of-Pocket Threshold	\$4,750	\$4,550
Minimum Cost-sharing for Generic/Preferred Multi-Source Drugs in the Catastrophic Phase	\$2.65	\$2.55
Minimum Cost-sharing for Other Drugs in the Catastrophic Phase	\$6.60	\$6.35
<b>Retiree Drug Subsidy (RDS)</b>		
Cost Threshold ( <i>Amount RDS sponsor must spend before claiming the RDS subsidy</i> )	\$325	\$310
Cost Limit ( <i>Amount after which RDS sponsor claims no RDS subsidy</i> )	\$6,600	\$6,350

(Note: The changes from 2013 to 2014 are rounded to the closest appropriate level.)

The Rate Announcement and final Call Letter may be viewed using the following link:

<http://www.cms.hhs.gov/MedicareAdvtgSpecRateStats/>, click on Announcements and

Documents for access to the 2014 files.