COUNCIL FOR AFFORDABLE
HEALTH COVERAGE

RE: CMS Part D Premium Stabilization Demonstration

CAHC has been highlighting Part C and D market instability for most of 2024. The authors of the Inflation Reduction Act said costs would go down, but changes made by the law have produced higher premiums (21.5 percent average in 2024), fewer plan choices, and increased cost sharing. We anticipate more of the same in 2025.

CMS saw the same trends, and on July 29, 2024 announced steps to address market instability that will shore up standalone Part D markets by spending much more taxpayer dollars through a questionable demonstration program that effectively re-writes the law. This issue and relevant questions are outlined below.

Attachments

- Press Release
- Fact Sheet
- Annual Release of Part D National Average Monthly Bid Amount and Other Part C & D Bid Information

Background

On July 29, CMS announced the Medicare Part D base beneficiary premium and a new CMS (NOT CMMI) demo to limit premium increases in standalone Part D plans (not Medicare Advantage).

- For 2025, the base beneficiary premium is expected to increase by $2.08 for people with Medicare Part D. Base premiums are capped at 6% under the IRA.
- The national average monthly bid amount (what plans say it will cost to provide benefits) increased from $64.28 in 2024 to $179.45 in 2025. **This is a 179% increase in the bid amount.**
- The amount of increase in the NAMBA does not mean that Part D premiums will increase by a similar amount, but it is a clear indication that premiums are skyrocketing.
- CMS did not release the average Part D premium increase (what seniors actually pay) because it is running a CMS demo to limit premium increases.

The timeframe is aggressive. Plans must let CMS know whether they will participate by August 5. This is because of the compressed timeframe between now and when ANOC letters go out in September, and plan shopping starts October 1. Open enrollment begins on October 15.

Demonstration Program

The program is being conducted through CMS's authority under Section 402 of the Social Security Act. It will limit premium increases by creating a massive new subsidy program. CMS will:

- Apply a uniform reduction of $15 to the base beneficiary premium for all plans.
- Limit year-over-year total premium increases to $35.

- Limit risk to plans by narrowing the risk corridors. The upper thresholds (where a plan experiences losses) will be set at 2.5 percent and 5 percent above the target amount rather than the current thresholds of 5 percent and 10 percent. CMS will also increase the share of losses to taxpayers to 90 percent above the 5 percent threshold.

All standalone Part D plans are eligible, and plans must sign up by the deadline of August 5. The demo is for three years, although CMS states they may change the parameters of the premium and risk buy down in 2026 and 2027.

Key Questions and Takeaways:

1. *How Much Does This Cost?* CMS is not using CMMI demonstration authority (CMMI demos are subject to statutory objectives to save money or improve quality without harming either). This is likely because this demonstration will clearly cost money, but it is unclear how much it will cost – likely in the tens or hundreds of billions. This money will come from the Medicare SMI trust fund. CMS has provided no information on the budget or trust fund impacts. Congress should:

   - Ask the Independent CMS Actuary for any and all analysis of the cost of the program and its impact on the SMI fund.
   - Request CBO estimate the costs to taxpayers of the CMS demonstration and any impact on Medicare's financing.

2. *What is the Impact on Affordability?* Citing the demo and that premiums will change, CMS did not release average premiums and how much they will increase in 2025. Once the demo is finalized, it will be important to know what premiums were before and after the demo to determine value for taxpayers. Clearly, the 6 percent premium cap isn't working.

3. *How Does this Impact MA Enrollment?* Because the program is limited to standalone Part D plans, it will likely mitigate migration to MA plans. We expect most Part D plans to participate in the nationwide, voluntary demonstration as it would be foolish not to accept free money, especially if your competition is using taxpayer funds to buy down premiums to attract more customers. The CMS demonstration should seek to explain how this may be impacting enrollment across the market.

4. *Is this Legal?* In the past, GAO and others have noted areas where CMS has exceeded their authority under Section 402. If CMS can do this, can they fix physician payment cuts and other pressing Medicare issues? Do we need Congress at all to set Medicare policies? On August 5, the Senate Finance Ranking Member Crapo, Energy and Commerce Chair McMorris-Rodgers, and Ways and Means Chairman Smith wrote to the GAO requesting an expedited review of the demonstration, including its budgetary effects and an assessment of the legal authority for the program and how far that authority can be stretched.