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## **MEDICARE PLAN PAYMENT GROUP**

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**DATE:** April 15, 2025

**TO:** All Part D Sponsors

**FROM:** Jennifer R. Shapiro, Director, Medicare Plan Payment Group

**SUBJECT:** Prescription Drug Event Record Reporting Instructions for the Implementation of the Inflation Reduction Act for Contract Year 2026

The purpose of this memorandum is to present the Prescription Drug Event (PDE) record reporting instructions effective January 1, 2026, consistent with the provisions of the Inflation Reduction Act of 2022 (IRA) (P.L. 117-169), that are effective January 1, 2026 in the Part D program. Specifically, this document provides Part D plan sponsors<sup>1</sup> with PDE examples for contract year (CY) 2026 and should not be used for prior benefit years. For prior benefit years, Part D plan sponsors should refer to previous guidance and examples released by the Centers for Medicare & Medicaid Services (CMS).

This document is organized into three sections that contain PDE examples for Calculating and Reporting the Selected Drug Subsidy (Section 1), Non-Calendar Year (NCY) Employer Group Waiver Plans (EGWPs) (Section 2) and Covered Insulin Product Lesser of Logic (Section 3).

The following PDE examples use the CY 2026 benefit parameters.

Please direct questions regarding this memorandum to [PDE-Operations@cms.hhs.gov](mailto:PDE-Operations@cms.hhs.gov).

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<sup>1</sup>To include Programs of All-inclusive Care for the Elderly (PACE) organizations. For additional information regarding PDE reporting changes for PACE organizations that were effective January 1, 2025, please refer to the CMS memorandum titled “2025 Prescription Drug Event File Layout Updates for all Part D Plan Sponsors, and Additional 2025 Changes to PDE Reporting for PACE Organizations” published March 8, 2024 available at <https://www.cms.gov/about-cms/information-systems/hpms/hpms-memos-archive-weekly/hpms-memos-wk-2-march-4-8>.

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## Section 1 – Calculating and Reporting the Selected Drug Subsidy

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Beginning in 2026, plans will report the selected drug subsidy on the PDE in the Selected Drug Subsidy field. The selected drug subsidy applies to a covered Part D drug that would otherwise meet the definition of an applicable drug but for being a selected drug<sup>2</sup> during a price applicability period.<sup>3</sup> A selected drug subsidy amount is for a dispensed selected drug and is equal to 10 percent of the drug's negotiated price once an enrollee incurs True Out-of-Pocket costs (TrOOP) exceeding the deductible under the DS benefit but has not incurred TrOOP that is equal to or exceeds the annual out-of-pocket (OOP) threshold. The examples in this section will demonstrate how the selected drug subsidy is calculated and reported on the PDE.

### **Example #1: Defined Standard (DS) Plan – Deductible Phase to Initial Coverage Phase (ICP) (Selected Drug)**

This example demonstrates how to report a PDE when a purchase of a \$100.00 covered Part D selected drug moves a beneficiary from the Deductible Phase to the ICP in a DS plan. When the claim adjudication begins, the Total Gross Covered Drug Cost (TGCDC) Accumulator is \$585.00, and the TrOOP Accumulator is \$585.00. Because the beneficiary meets the DS deductible midway through the processing of this claim, the beginning benefit phase is the Deductible Phase and the ending benefit phase is the ICP. The remaining TrOOP amount required for the beneficiary to be eligible for the Selected Drug Subsidy Program is calculated by subtracting the TrOOP Accumulator from the DS deductible amount and is \$30.00 (\$615.00 - \$585.00).

The beneficiary pays 100% of the drug cost until the DS deductible is met ( $\$30.00 * 1.00 = \$30.00$ ) plus 25% coinsurance in the ICP ( $\$70.00 * 0.25 = \$17.50$ ), which equals \$47.50. The Delta TrOOP<sup>4</sup> on this claim is equal to \$47.50, which exceeds the \$30.00 of remaining TrOOP required for the beneficiary to be eligible for the Selected Drug Subsidy Program. The Selected Drug Subsidy is 10% of the drug cost falling in the ICP ( $\$70.00 * 0.10 = \$7.00$ ), the Patient Pay Amount is \$47.50, and the Covered D Plan Paid Amount (CPP) is 0% of drug costs in the Deductible Phase ( $\$30.00 * 0.00 = \$0.00$ ) plus 65% of drug costs in the ICP ( $\$70.00 * 0.65 = \$45.50$ ), which equals \$45.50.

After the claim is processed, the TGCDC Accumulator increases by \$100.00, and the TrOOP Accumulator increases by \$47.50. The table below illustrates how the Part D sponsor would populate the PDE record.

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<sup>2</sup> “Selected drug” is referred to under section 1192(c) of the Social Security Act (“the Act”).

<sup>3</sup> “Price applicability period” is defined in section 1191(b)(2) of the Act.

<sup>4</sup> Delta TrOOP is defined as total TrOOP-eligible costs that are accrued on the individual PDE being reported, excluding the TrOOP Accumulator value, and represents the change in TrOOP from the preceding PDE.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$100.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$100.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$47.50
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$45.50
Non Covered Plan Paid Amount (NPP)	\$0.00
Selected Drug Subsidy	\$7.00
Reported Manufacturer Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$585.00
True Out-of-Pocket Accumulator	\$585.00
Beginning Benefit Phase	D
Ending Benefit Phase	N

#### **Example #2: Actuarially Equivalent (AE) Plan – ICP (Selected Drug)**

This example demonstrates how to report a PDE for a beneficiary in an AE Plan who purchases a \$320.00 covered Part D selected drug with a \$315.00 ingredient cost and a \$5.00 dispensing fee. The AE plan charges a \$10.00 copay in the ICP for this drug. When the claim adjudication begins, the TGCDCA Accumulator is \$800.00, and the TrOOP Accumulator is \$710.00. The beneficiary is in the ICP of the benefit (TrOOP Accumulator  $\geq$  \$615.00 and TrOOP Accumulator + Delta TrOOP  $<$  \$2,100.00); the ICP is the beginning and ending benefit phase. In the ICP, the Selected Drug Subsidy is 10% of the total drug cost ( $\$320.00 * 0.10 = \$32.00$ ), the beneficiary pays their ICP copay of \$10.00, and the plan pays the remaining drug cost of \$278.00 ( $\$320.00 - \$32.00 - \$10.00$ ) and reports this amount as CPP.

After the claim is processed, the TGCDCA Accumulator increases by \$320.00, and the TrOOP Accumulator increases by \$10.00. The table below illustrates how the Part D sponsor would populate the PDE record.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$315.00
Dispensing Fee Paid	\$5.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$320.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$10.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$278.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Selected Drug Subsidy	\$32.00
Reported Manufacturer Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$800.00
True Out-of-Pocket Accumulator	\$710.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

**Example #3: Basic Alternative (BA) Plan – ICP where the Beneficiary Copay is Capped at the Drug Cost minus the Selected Drug Subsidy (Selected Drug)**

This example demonstrates how to report a PDE for a beneficiary in a BA Plan who purchases a \$40.00 covered Part D selected drug and the beneficiary copay is capped at the drug cost minus the selected drug subsidy amount. The BA plan charges a \$40.00 copay in the ICP for this drug. When the claim adjudication begins, the TGCDC Accumulator is \$790.00, and the TrOOP Accumulator is \$620.00. The beneficiary is in the ICP of the benefit (TrOOP Accumulator  $\geq$  \$615.00 and TrOOP Accumulator + Delta TrOOP < \$2,100.00); the ICP is the beginning and ending benefit phase.

In the ICP, the Selected Drug Subsidy is 10% of the total drug cost ( $\$40.00 * 0.10 = \$4.00$ ). The beneficiary pays a capped ICP copay of \$36.00 because the beneficiary can never pay more than the drug cost in the ICP minus the selected drug subsidy amount in the ICP. CPP is \$0.00 because there is no drug cost remaining after the selected drug subsidy amount and beneficiary cost-sharing have been applied.

After the claim is processed, the TGCDC Accumulator increases by \$40.00, and the TrOOP Accumulator increases by \$36.00. The table below illustrates how the Part D sponsor would populate the PDE record.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$40.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$40.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$36.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$0.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Selected Drug Subsidy	\$4.00
Reported Manufacturer Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$790.00
True Out-of-Pocket Accumulator	\$620.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

#### **Example #4: DS Plan – ICP to Catastrophic Phase (Selected Drug)**

This example demonstrates how to report a PDE when a purchase of a \$400.00 covered Part D selected drug with a \$390.00 ingredient cost and a \$10.00 dispensing fee moves a beneficiary in a DS plan from the ICP to the Catastrophic Phase. When the claim adjudication begins, the TGDCB Accumulator is \$6,315.00, and the TrOOP Accumulator is \$2,040.00. Because the beneficiary meets the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the ICP, and the ending benefit phase is the Catastrophic Phase. The TrOOP amount remaining in the ICP is \$60.00 (\$2,100.00 - \$2,040.00). When a claim begins in the ICP, the following formula can be used to determine the drug cost remaining in the ICP:

$$\text{Remaining TrOOP Amount} / \text{TrOOP-eligible cost-sharing percentage in the ICP}$$

In the ICP of a DS Plan, only the beneficiary cost-sharing of 25% is TrOOP-eligible, so the TrOOP-eligible cost-sharing percentage in this example is 25%. On this PDE, using the formula above to calculate the drug cost remaining in the ICP based on the amount of TrOOP remaining (\$60.00 / 0.25) yields \$240.00 and is reported as the Gross Drug Cost Below Out-of-Pocket Threshold (GDCB). The remaining drug cost of \$160.00 falls in the Catastrophic Phase and is reported as the Gross Drug Cost Above Out-of-Pocket Threshold (GDCA).

The Selected Drug Subsidy is 10% of the drug cost falling in the ICP (\$240.00 \* 0.10 = \$24.00). The beneficiary pays 25% coinsurance in the ICP (\$240.00 \* 0.25 = \$60.00) and 0% coinsurance in the Catastrophic Phase (\$160.00 \* 0.00 = \$0.00), which equals \$60.00. CPP is 65% of drug

costs in the ICP ( $\$240.00 \times 0.65 = \$156.00$ ) plus 100% of drug costs falling in the Catastrophic Phase ( $\$160.00 \times 1.00 = \$160.00$ ), which equals \$316.00.

After the claim is processed, the TGCDC Accumulator increases by \$400.00, and the TrOOP Accumulator increases by \$60.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$390.00
Dispensing Fee Paid	\$10.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$240.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$160.00
Patient Pay Amount	\$60.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$316.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Selected Drug Subsidy	\$24.00
Reported Manufacturer Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$6,315.00
True Out-of-Pocket Accumulator	\$2,040.00
Beginning Benefit Phase	N
Ending Benefit Phase	C

#### **Example #5: Enhanced Alternative (EA) Plan – Deductible Phase to Catastrophic Phase with a Reduced Plan-Defined Deductible (Selected Drug)**

This example demonstrates how to report a PDE when a purchase of a \$7,200.00 covered Part D selected drug moves a beneficiary, who is in an EA plan, from the Deductible Phase to the Catastrophic Phase.<sup>5</sup> This EA plan has a plan-defined deductible of \$400.00 and coinsurance of 20% in the plan's ICP for this drug. When the claim adjudication begins, the TGCDC Accumulator is \$200.00, and the TrOOP Accumulator is \$200.00. Because the beneficiary meets their plan-defined deductible amount and the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the Deductible Phase, and the ending benefit phase is the Catastrophic Phase (the plan reports the benefit phase indicators in alignment with the plan-defined phase). The remaining TrOOP amount is calculated by subtracting the

<sup>5</sup> For additional details on calculating and reporting DS Deductible Phase to Catastrophic Phase PDEs submitted by EA Plans and EGWPs, please see the Health Plan Management System (HPMS) memorandum, *Additional Prescription Drug Event Record Reporting Examples for the Implementation of the Inflation Reduction Act for Contract Year 2025*, published on December 9, 2024.

TrOOP Accumulator from the annual OOP threshold (\$2,100.000 - \$200.00), which equals \$1,900.00.

When a claim for an EA plan begins in the DS benefit's Deductible Phase (TrOOP Accumulator < \$615.00) and ends in the Catastrophic Phase, the first step is to calculate and compare the GDCB under the DS benefit and the GDCB under the plan's benefit design. Under the DS benefit, GDCB is calculated by adding the beneficiary's remaining DS deductible amount ( $\$615.00 - \$200.00 = \$415.00$ ) to the drug cost remaining in the DS benefit's ICP ( $(\$1,900.00 - \$415.00) / 0.25 = \$5,940.00$ ), which equals \$6,355.00. Under the plan's benefit design, GDCB is calculated by adding the beneficiary's remaining plan deductible amount ( $\$400.00 - \$200.00 = \$200.00$ ) to the drug cost remaining in the plan's ICP ( $(\$1,900.00 - \$200.00) / 0.20 = \$8,500.00$ ), which equals \$8,700.00. Because the GDCB under the DS benefit is less than the GDCB under the plan's benefit design, \$6,355.00 is reported as GDCB and is used to calculate the remaining PDE parameters. The remaining drug cost of \$845.00 falls in the Catastrophic Phase and is reported as GDCA.

Because beneficiary eligibility for the Selected Drug Subsidy Program is dependent on a beneficiary's TrOOP exceeding the DS deductible amount, the drug cost used to calculate the selected drug subsidy is equal to the reported GDCB minus the remaining TrOOP amount needed to meet the DS deductible. The Selected Drug Subsidy is 10% of the reported GDCB minus the remaining DS deductible amount ( $(\$6,355.00 - \$415.00) * 0.10 = \$594.00$ ). The beneficiary pays 100% of the drug cost until the plan-defined deductible is met ( $\$200.00 * 1.00 = \$200.00$ ) plus 20% of the remaining GDCB, ( $(\$6,355.00 - \$200.00) * 0.20 = \$1,231.00$ ), which equals \$1,431.00. CPP is mapped to the DS benefit and is 65% of the reported GDCB minus the remaining DS deductible amount ( $(\$6,355.00 - \$415.00) * 0.65 = \$3,861.00$ ) plus 100% of GDCA ( $\$845.00 * 1.00 = \$845.00$ ), which equals \$4,706.00. The Non Covered Plan Paid Amount (NPP) is calculated as the total drug cost minus the selected drug subsidy, patient pay amount, and CPP ( $\$7,200.00 - \$594.00 - \$1,431.00 - \$4,706.00$ ), which equals \$469.00.

After the claim is processed, the TGDCDC Accumulator increases by \$7,200.00 and the TrOOP Accumulator increases by \$1,900.00. The table below illustrates how the Part D sponsor would populate the PDE record.



<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$7,200.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$6,355.00
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$845.00
Patient Pay Amount	\$1,431.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$4,706.00
Non Covered Plan Paid Amount (NPP)	\$469.00
Selected Drug Subsidy	\$594.00
Reported Manufacturer Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$200.00
True Out-of-Pocket Accumulator	\$200.00
Beginning Benefit Phase	D
Ending Benefit Phase	C

## Section 2 – NCY EGWPs

NCY EGWPs will report PDEs in accordance with the requirements stated in the CY 2026 Part D Redesign Program Instructions. The examples in this section demonstrate that NCY EGWPs with an NCY plan year that begins in 2025 and continues into 2026 that operate on an NCY basis will:

- Map PDEs to the 2025 Part D DS benefit for the 2025 and 2026 portions of its NCY plan year using the 2025 DS deductible and annual OOP threshold:
- Not increase the plan deductible during its NCY plan year; and
- Utilize the 2025 DS deductible and annual OOP threshold for the entirety of the NCY plan year for purposes of applying discounts under the Manufacturer Discount Program (Discount Program).

NCY EGWPs must apply the phase-in percentage specified in sections 50.1.1 and 50.1.2 of the Medicare Part D Manufacturer Discount Program Final Guidance<sup>6</sup> based on the calendar year in which the relevant date of service occurred.

<sup>6</sup> <https://www.cms.gov/files/document/revised-manufacturer-discount-programfinal-guidance122024.pdf>

**Example #6: NCY EGWP – ICP (Applicable Drug)**

This example demonstrates how to report a PDE for a beneficiary who is enrolled in an NCY EGWP beginning on 7/1/2025 and purchases a \$200.00 covered Part D applicable drug on 1/1/2026. When the claim adjudication begins, the TGCDL Accumulator is \$700.00, and the TrOOP Accumulator is \$610.00. Under the NCY EGWP OHI benefit, the beneficiary has a \$30.00 copay for this drug. The plan reports the benefit phase indicators in alignment with the 2025 DS benefit; the ICP is the beginning and ending benefit phase (TrOOP Accumulator  $\geq$  \$590.00 and TrOOP Accumulator + Delta TrOOP < \$2,000.00).

In the ICP, the manufacturer discount is 10% of the total drug cost ( $\$200.00 * 0.10 = \$20.00$ ). Under the NCY EGWP OHI benefit, the beneficiary pays a \$30.00 copay. Because the DS plan liability is 65% in the ICP ( $\$200.00 * 0.65$ ), CPP is \$130.00. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, and CPP ( $\$200.00 - \$20.00 - \$30.00 - \$130.00$ ), which equals \$20.00.

After the claim is processed, the TGCDL Accumulator increases by \$200.00, and the TrOOP Accumulator increases by \$50.00. The table below illustrates how the Part D sponsor would populate the PDE record.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$200.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$200.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$30.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$130.00
Non Covered Plan Paid Amount (NPP)	\$20.00
Selected Drug Subsidy	\$0.00
Reported Manufacturer Discount	\$20.00
Total Gross Covered Drug Cost Accumulator	\$700.00
True Out-of-Pocket Accumulator	\$610.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

**Example #7: NCY EGWP – Catastrophic Phase (Applicable Drug)**

This example demonstrates how to report a PDE for a beneficiary, who is enrolled in an NCY EGWP beginning on 7/1/2025 and purchases a \$900.00 covered Part D applicable drug on 1/1/2026. When the claim adjudication begins, the TGCDL Accumulator is \$7,100.00 and the TrOOP Accumulator is \$2,000.00. The beneficiary is in the Catastrophic Phase of the benefit (TrOOP Accumulator = \$2,000.00) in 2025; the Catastrophic Phase is the beginning and ending benefit phase.

In the Catastrophic Phase, the manufacturer discount is 20% of the total drug cost ( $\$900.00 * 0.20 = \$180.00$ ), the beneficiary pays 0% coinsurance ( $\$900.00 * 0.00 = \$0.00$ ) and CPP is 80% ( $\$900.00 * 0.80 = \$720.00$ ).

After the claim is processed, the TGCDL Accumulator increases by \$900.00, and the TrOOP Accumulator is unchanged. The table below illustrates how the Part D sponsor would populate the PDE record.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$900.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$0.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$900.00
Patient Pay Amount	\$0.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$720.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Selected Drug Subsidy	\$0.00
Reported Manufacturer Discount	\$180.00
Total Gross Covered Drug Cost Accumulator	\$7,100.00
True Out-of-Pocket Accumulator	\$2,000.00
Beginning Benefit Phase	C
Ending Benefit Phase	C

### Section 3 – Covered Insulin Product Lesser of Logic

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Beginning in 2026, plans may offer coinsurance for covered insulin products, although they are subject to a requirement that the cost-sharing for a one-month supply of insulin under the plan does not exceed the lesser of \$35 or 25% of the total gross covered drug cost reported on the PDE. The total drug cost reported on the PDE is the lesser of the plan's negotiated price for the covered insulin product or, if the covered insulin product is a selected drug under the Medicare Drug Price Negotiation Program, the established maximum fair price.<sup>7</sup> The examples in this section demonstrate how to determine and report lesser of logic for covered insulin products on the PDE.

#### **Example #8: Covered Insulin Product in the ICP of a Basic Plan or an EA Plan with TrOOP-Eligible Costs below the DS Deductible Amount and Lesser of Logic (Applicable Drug)**

This example demonstrates how to report a PDE for a beneficiary that purchases a \$100.00 applicable covered insulin product and does not accumulate enough TrOOP to exceed the DS deductible amount. This plan has an ICP cost-sharing amount equal to the lesser of a \$35.00 copay or 25% coinsurance for this covered insulin product. The deductible does not apply to covered insulin products. When the claim adjudication begins, the TGCDC Accumulator is \$0.00, and the TrOOP Accumulator is \$0.00. The beneficiary is in the ICP of the benefit (TrOOP Accumulator + Delta TrOOP < \$2,100.00 for a covered insulin product); the ICP is the beginning and ending benefit phase. The remaining TrOOP amount required for the beneficiary to meet the definition of an applicable beneficiary and be eligible for the Discount Program is calculated by subtracting the TrOOP Accumulator from the DS deductible amount and is \$615.00 (\$615.00 - \$0.00).

The beneficiary pays the lesser of the covered insulin product copay amount (\$35.00) or the covered insulin product coinsurance amount ( $\$100.00 * 0.25 = \$25.00$ ), which is \$25.00. The Delta TrOOP on this claim is equal to \$25.00, which does not exceed the \$615.00 of remaining TrOOP required for the beneficiary to be eligible for the Discount Program. Therefore, a manufacturer discount is not calculated for this claim. The Patient Pay Amount is \$25.00, and the plan pays the remaining \$75.00 and reports this amount as CPP.

After the claim is processed, the TGCDC Accumulator increases by \$100.00, and the TrOOP Accumulator increases by \$25.00. The table below illustrates how the Part D sponsor would populate the PDE record.

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<sup>7</sup> Under section 1860D-2(d)(1)(D) of the Act, as amended by section 11001 of the IRA, the negotiated price for each selected drug must not exceed the maximum fair price plus any dispensing fees for such drug. Furthermore, under section 1860D-2 of the Act, as amended by section 11406 of the IRA, beginning in CY 2026, the applicable copayment amount for a covered insulin product is the lesser of \$35, an amount equal to 25 percent of the maximum fair price established for the covered insulin product under the Medicare Drug Price Negotiation Program if the covered insulin product is a selected drug, or an amount equal to 25 percent of the negotiated price of the covered insulin product under the Prescription Drug Plan (PDP) or Medicare Advantage Prescription Drug (MA-PD) plan.

<b>PDE Field</b>	<b>Value</b>
Drug Coverage Status Code	C
Ingredient Cost Paid	\$100.00
Dispensing Fee Paid	\$0.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$100.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$0.00
Patient Pay Amount	\$25.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$75.00
Non Covered Plan Paid Amount (NPP)	\$0.00
Selected Drug Subsidy	\$0.00
Reported Manufacturer Discount	\$0.00
Total Gross Covered Drug Cost Accumulator	\$0.00
True Out-of-Pocket Accumulator	\$0.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

**Example #9: Covered Insulin Product straddling the ICP and Catastrophic Phase of a Basic Plan or an EA Plan with Lesser of Logic (Applicable Drug)**

This example demonstrates how to report a PDE when a purchase of a \$500.00 applicable covered insulin product with a \$492.00 ingredient cost and an \$8.00 dispensing fee moves a beneficiary from the ICP to the Catastrophic Phase. This plan has an ICP cost-sharing amount equal to the lesser of a \$35.00 copay or 20% coinsurance for this covered insulin product. When the claim adjudication begins, the TGCDC Accumulator is \$9,800.00, and the TrOOP Accumulator is \$2,080.00. Because the beneficiary meets the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the ICP, and the ending benefit phase is the Catastrophic Phase. The TrOOP amount remaining in the ICP is \$20.00 (\$2,100.00 - \$2,080.00). When a claim begins in the ICP, the following formula can be used to determine the drug cost remaining in the ICP:

$$\text{Remaining TrOOP Amount} / \text{TrOOP-eligible cost-sharing percentage in the ICP}$$

For a covered insulin product in the ICP, only the beneficiary cost-sharing is TrOOP-eligible. The covered insulin product copay must first be converted to a cost-sharing percentage. The TrOOP-eligible cost-sharing percentage can be determined using the following formula:

TrOOP-eligible cost-sharing percentage in the ICP<sup>8</sup> = plan-specified ICP copay/TGCDC

The benefit for this covered insulin product in the ICP is the lesser of \$35.00 (TrOOP-eligible cost-sharing percentage in the ICP is 7% (\$35.00 / \$500.00)) or 20% coinsurance (TrOOP-eligible cost-sharing percentage in the ICP is 20%). Therefore, the lesser percentage amount of 7% is used to calculate the drug cost remaining in the ICP based on the amount of TrOOP remaining (\$20.00 / 0.07) and yields \$285.71, which is reported as GDCB. The remaining drug cost of \$214.29 falls in the Catastrophic Phase and is reported as GDCA.

The manufacturer discount is 10% of the drug cost falling in the ICP (\$285.71 \* 0.10 = \$28.57) plus 20% of the drug cost falling in the Catastrophic Phase (\$214.29 \* 0.20 = \$42.86), which equals \$71.43. Although the beneficiary's ICP copay is \$35.00, there is only \$20.00 of remaining TrOOP left in the ICP, so the beneficiary pays this amount to meet the annual OOP threshold. The plan reports the sum of the remaining drug cost in the ICP (\$285.71 - \$28.57 - \$20.00 = \$237.14) and 80% of drug costs in the Catastrophic Phase (\$214.29 \* 0.80 = \$171.43), which is \$408.57, as CPP.

After the claim is processed, the TGCDC Accumulator increases by \$500.00, and the TrOOP Accumulator increases by \$20.00. The table below illustrates how the Part D sponsor would populate the PDE record.

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	\$492.00
Dispensing Fee Paid	\$8.00
Total Amount Attributed to Sales Tax	\$0.00
Vaccine Administration Fee or Additional Dispensing Fee	\$0.00
Gross Covered Drug Cost Below Out-of-Pocket Threshold (GDCB)	\$285.71
Gross Covered Drug Cost Above Out-of-Pocket Threshold (GDCA)	\$214.29
Patient Pay Amount	\$20.00
Other TrOOP Amount	\$0.00
Low Income Cost Sharing Subsidy Amount (LICS)	\$0.00
Patient Liability Reduction Due to Other Payer Amount (PLRO)	\$0.00
Covered D Plan Paid Amount (CPP)	\$408.57
Non Covered Plan Paid Amount (NPP)	\$0.00
Selected Drug Subsidy	\$0.00
Reported Manufacturer Discount	\$71.43
Total Gross Covered Drug Cost Accumulator	\$9,800.00
True Out-of-Pocket Accumulator	\$2,080.00

<sup>8</sup> This value must be capped at 1 minus the manufacturer discount percentage in the ICP (equal to 0.9 in this example, but would be 0.98 for a phase-in eligible applicable drug in CY 2026 and 1.0 for a non-applicable drug) because the beneficiary can never pay more than the drug cost in the ICP minus the manufacturer discount in the ICP. The manufacturer discount must be applied to the negotiated price that falls below the annual OOP threshold and must be applied prior to beneficiary cost-sharing. See § 1860D–14C(g)(4)(A) of the Act.

Beginning Benefit Phase	N
Ending Benefit Phase	C