

Medicare Prescription Payment Plan (M3P): Calculating Monthly Out-of-Pocket (OOP) Costs

- Starting in 2025, the Medicare prescription drug program (Medicare Part D) has a \$2,000 OOP cap and beneficiaries can spread their OOP costs over the course of the year by being billed by their insurance company rather than at the point of sale (POS) (usually pharmacy counter)
- This program is called the Medicare Prescription Payment Plan (M3P) or, as some people used to call it, smoothing
- Calculating Monthly OOP Max

First Month Max Cap

$(\$2,000 - \text{Incurred Costs by Beneficiary}) / \# \text{ of Months Left in Year}$

Subsequent Months Max

$(\text{Sum of OOP Not Yet Billed} + \text{Additional OOP Incurred}) / \# \text{ of months left in year}$

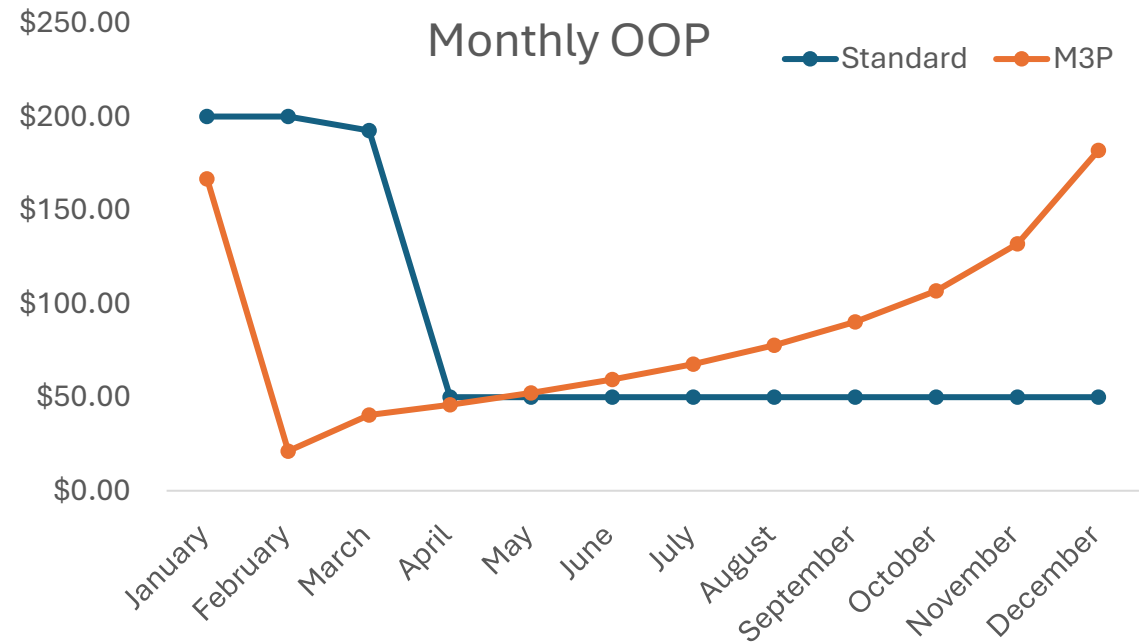
Note: Following analysis assumes standard benefit design of \$590, 25% cost-sharing

2025 Medicare Part D

Example: \$200/month prescription

Total OOP: \$1,043

Monthly Patient Out-of-Pocket (OOP)		
	<i>Without M3P</i>	<i>With M3P</i>
January	\$200.00	\$166.67
February	\$200.00	\$21.21
March	\$192.50	\$40.46
April	\$50.00	\$46.02
May	\$50.00	\$52.27
June	\$50.00	\$59.41
July	\$50.00	\$67.74
August	\$50.00	\$77.74
September	\$50.00	\$90.24
October	\$50.00	\$106.91
November	\$50.00	\$131.91
December	\$50.00	\$181.91



\$590 deductible, assumes no other drugs utilized

M3P: Medicare Prescription Payment Plan (formerly known as smoothing)

Example: \$200/month prescription

Monthly Patient Out-of-Pocket (OOP)			
	Without M3P	With M3P	Remaining under M3P
January	\$200.00	\$166.67	\$33.33
February	\$200.00	\$21.21	\$212.12
March	\$192.50	\$40.46	\$364.16
April	\$50.00	\$46.02	\$368.14
May	\$50.00	\$52.27	\$365.87
June	\$50.00	\$59.41	\$356.46
July	\$50.00	\$67.74	\$338.72
August	\$50.00	\$77.74	\$310.98
September	\$50.00	\$90.24	\$270.73
October	\$50.00	\$106.91	\$213.82
November	\$50.00	\$131.91	\$131.91
December	\$50.00	\$181.91	\$0.00

Month 1

In January, the patient faces 100% of the cost because they have a deductible of \$590. They are enrolled in the M3P program so instead they pay \$166.67. This is calculated by taking the \$2,000 annual OOP max minus any payments made in this plan year (\$0) divided by the number of months left in the year (12).

This is where a lot of people get tripped up thinking the OOP is the total owed divided by 12. It is not.

Month 2

The beneficiary again gets the \$200 drug. They are still in the deductible phase so, again they owe \$200. But their OOP for the month will be \$21.21. This is calculated by taking the sum of the remaining amount owed (\$33.33) plus the new amount owed (\$200) and dividing it by the number of months left in the year (11).

Month 3

Again, the beneficiary gets the \$200 drug. They have \$190 left in the deductible phase and then owe 25% of the rest. $\$190 + 25\% \text{ of } (\$200 - \$190) = \$190 + 25\% \text{ of } \$10 = \192.50 . Because of the M3P program, the beneficiary pays \$40.46.

This is calculated by taking the sum of the remaining amount owed from previous months (\$212.12) plus the new amount owed (\$192.50) and dividing it by the number of months left in the year (10).

Month 4 onward

The beneficiary is out of the deductible phase so each month when they get their \$200 drug, they owe 25% (\$50). Because of the M3P program, their actual OOP continues to be calculated as:

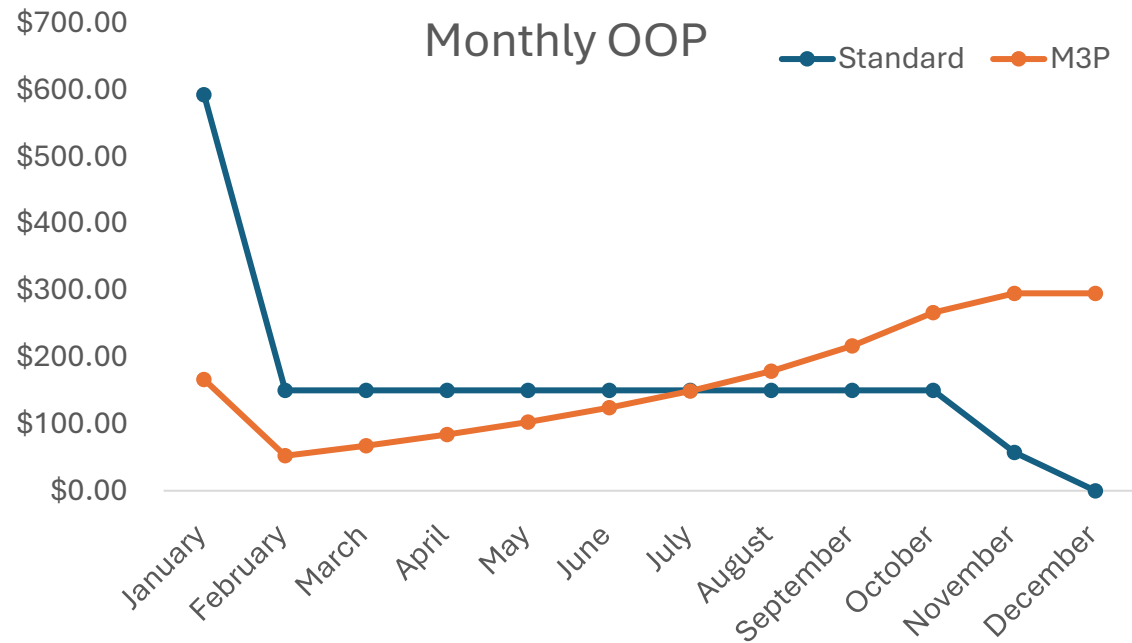
$(\text{Previous balance} + \text{new balance}) / \# \text{ of month left in the year}$

2025 Medicare Part D

Example: \$600/month prescription

Total OOP: \$2,000

Monthly Patient Out-of-Pocket (OOP)		
	Without M3P	With M3P
January	\$592.50	\$166.67
February	\$150.00	\$52.35
March	\$150.00	\$67.35
April	\$150.00	\$84.02
May	\$150.00	\$102.77
June	\$150.00	\$124.19
July	\$150.00	\$149.19
August	\$150.00	\$179.19
September	\$150.00	\$216.69
October	\$150.00	\$266.69
November	\$57.50	\$295.44
December	\$0.00	\$295.44



\$590 deductible, assumes no other drugs utilized

M3P: Medicare Prescription Payment Plan (formerly known as smoothing)

2025 Medicare Part D

Example: \$600/month prescription

Month 1

In January, the patient is responsible for 100% of their \$590 deductible and then 25% of the remaining \$10 so their total responsibility is \$592.50. They are enrolled in the M3P program so instead they pay \$166.67. This is calculated by taking the \$2,000 annual OOP max minus any payments made in this plan year (\$0) divided by the number of months left in the year (12). The remaining amount (\$425.83) gets rolled over into the following months.

Monthly Patient Out-of-Pocket (OOP)			
	Without M3P	With M3P	Remaining under M3P
January	\$592.50	\$166.67	\$425.83
February	\$150.00	\$52.35	\$523.48
March	\$150.00	\$67.35	\$606.14
April	\$150.00	\$84.02	\$672.12
May	\$150.00	\$102.77	\$719.36
June	\$150.00	\$124.19	\$745.16
July	\$150.00	\$149.19	\$745.97
August	\$150.00	\$179.19	\$716.77
September	\$150.00	\$216.69	\$650.08
October	\$150.00	\$266.69	\$533.39
November	\$57.50	\$295.44	\$295.44
December	\$0.00	\$295.44	\$0.00

Month 2

The beneficiary gets the \$600 drug again. They are responsible for 25% (\$150) but, because of the M3P, their OOP for the month will be \$52.35. This is calculated by taking the sum of the remaining amount owed (\$425.83) plus the new amount owed (\$150) and dividing it by the number of months left in the year (11).

Months 3, 4, 5, 6, 7, 8, 9, 10

Each month the beneficiary gets the \$600 drug and is responsible for \$150. M3P means they owe the sum of the remaining plus the new amount divided by the months remaining ... until they hit the \$2,000 cap

Months 11 and 12

At the end of the 10th month, the beneficiary paid \$1,409.11 OOP through the M3P program although they have been responsible for \$1,942.50 so far. Because there is a \$2,000 OOP cap, the patient responsibility for November is \$57.50. The remaining amount they would owe (\$150 - \$57.50) gets paid by the plan, manufacturers and the government as part of the catastrophic coverage.

Through the M3P program, the patient is billed \$295.45. This is calculated like all other M3P months past the first one – the sum of the remaining amount owed (\$1942.50 - \$1409.11) plus the new amount owed (\$57.50) and dividing it by the number of months left (2).

That same amount is owed in December because there is \$0 in new patient responsibility (they are in catastrophic) so $(\$295.45 + \$0)/1 = \$295.45$.