

The Medicare Prescription Payment Plan (M3P) Analyzing 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
- Medicare recommends a \$600, single prescription POS threshold to identify enrollees likely to benefit
- Calculating Monthly OOP Max

$$\text{First Month Maximum Cap} = \frac{\text{Annual OOP Threshold} - \text{Incurred Costs of the Participant}}{\text{Number of Months Remaining in the Plan Year}}$$

$$\text{Subsequent Month Maximum Cap} = \frac{\text{Sum of Remaining OOP Costs Not Yet Billed to Participant} + \text{Additional OOP Costs Incurred by the Participant}}{\text{Number of Months Remaining in the Plan Year}}$$

Takeaways

- While anyone can use the program, \$600 threshold makes some sense because that is where beneficiaries may hit \$2,000 cap if they have monthly high expenses
- Beneficiaries that have drug costs over \$6,230 in January would automatically hit that \$2,000 cap and have \$166.67/month in even spread-out drug costs

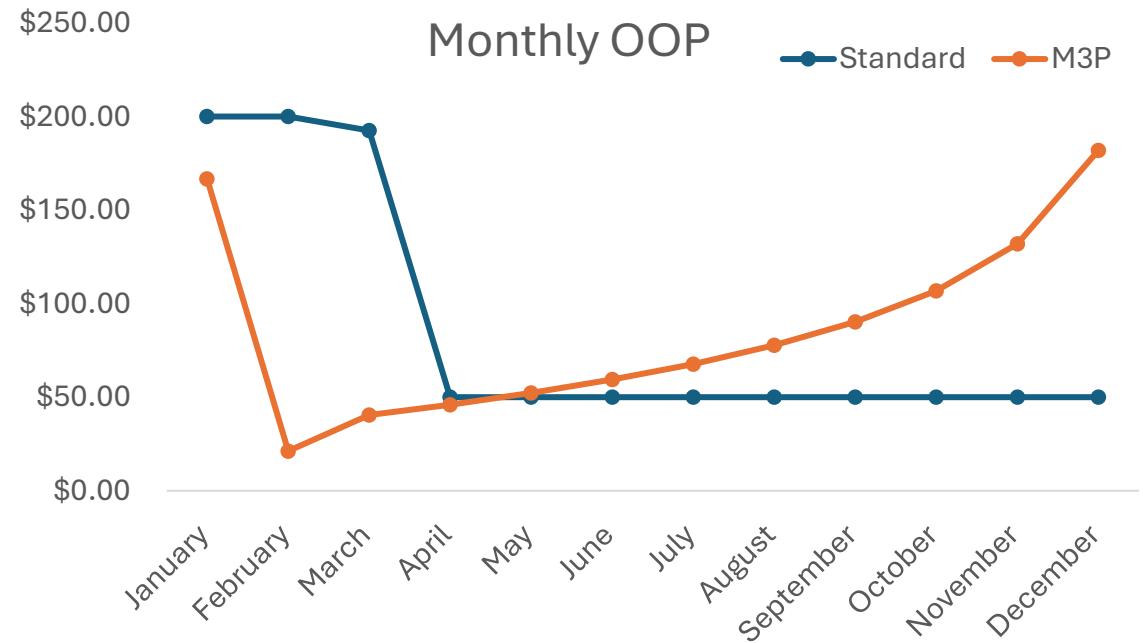
Note: Following analysis assumes standard benefit design of \$590, 25% cost-sharing

2025 Medicare Part D

Example: \$200/month prescription

Total OOP: \$1,043

Monthly Patient Out-of-Pocket (OOP)		
	Without M3P	With M3P
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

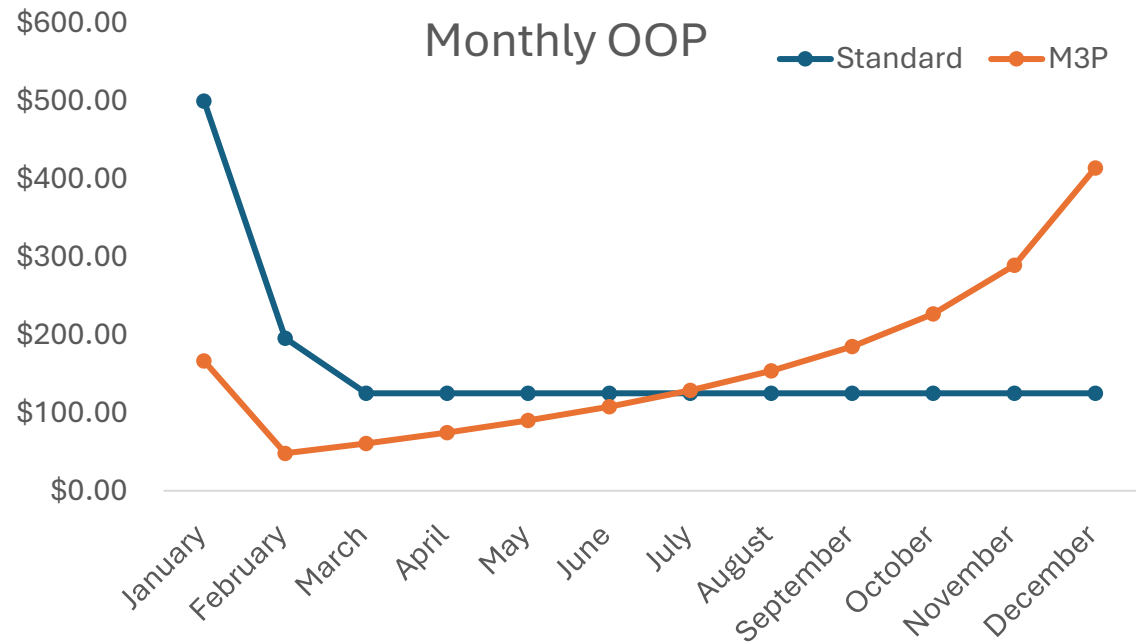
M3P: Medicare Prescription Payment Plan (formerly known as smoothing)

2025 Medicare Part D

Example: \$500/month prescription

Total OOP: \$1,943

Monthly Patient Out-of-Pocket (OOP)		
	Without M3P	With M3P
January	\$500.00	\$166.67
February	\$195.50	\$48.08
March	\$125.00	\$60.58
April	\$125.00	\$74.46
May	\$125.00	\$90.09
June	\$125.00	\$107.95
July	\$125.00	\$128.78
August	\$125.00	\$153.78
September	\$125.00	\$185.03
October	\$125.00	\$226.70
November	\$125.00	\$289.20
December	\$125.00	\$414.20



\$590 deductible, assumes no other drugs utilized

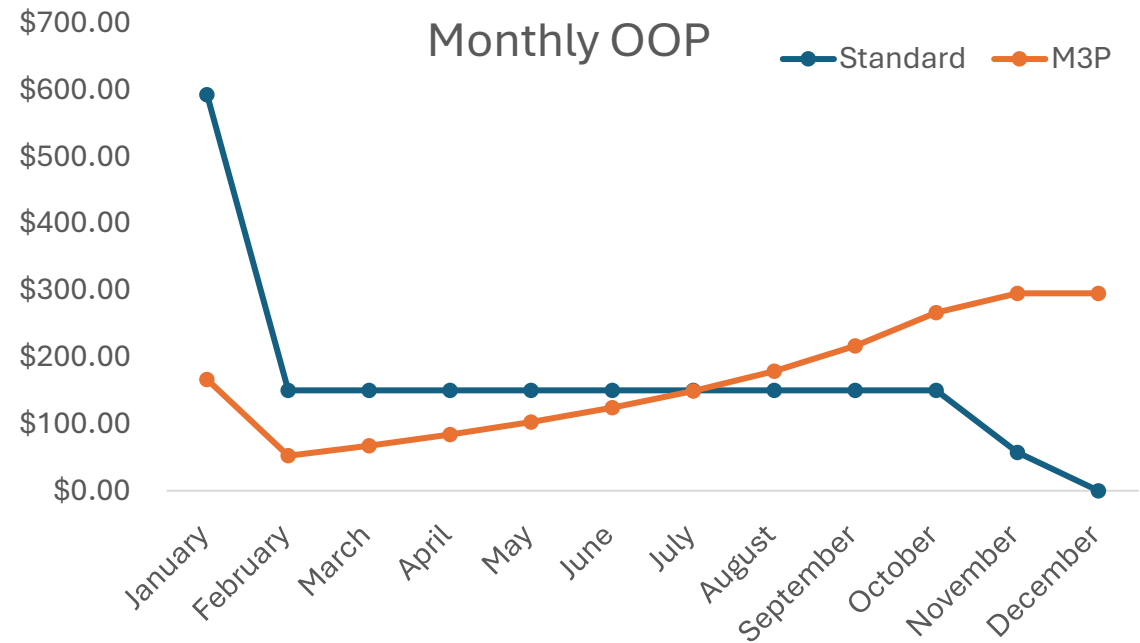
M3P: Medicare Prescription Payment Plan (formerly known as smoothing)

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

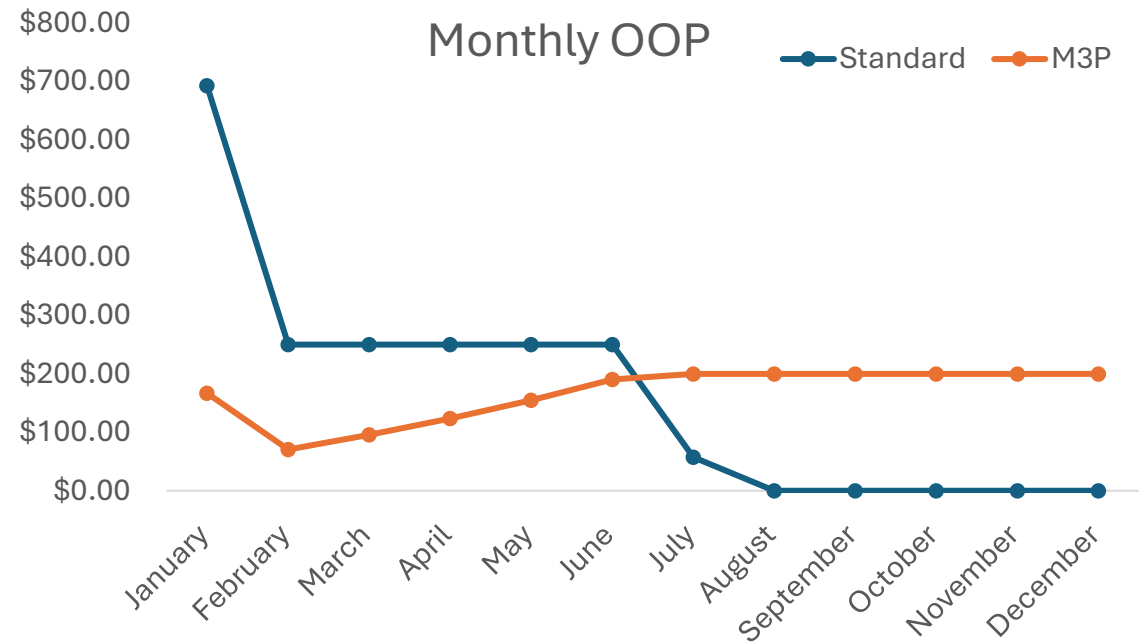
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2025 Medicare Part D

Example: \$1,000/month prescription

Total OOP: \$2,000

Monthly Patient Out-of-Pocket (OOP)		
	Without M3P	With M3P
January	\$692.50	\$166.67
February	\$250.00	\$70.53
March	\$250.00	\$95.53
April	\$250.00	\$123.31
May	\$250.00	\$154.56
June	\$250.00	\$190.27
July	\$57.50	\$199.86
August	\$0.00	\$199.86
September	\$0.00	\$199.86
October	\$0.00	\$199.86
November	\$0.00	\$199.86
December	\$0.00	\$199.86



\$590 deductible, assumes no other drugs utilized

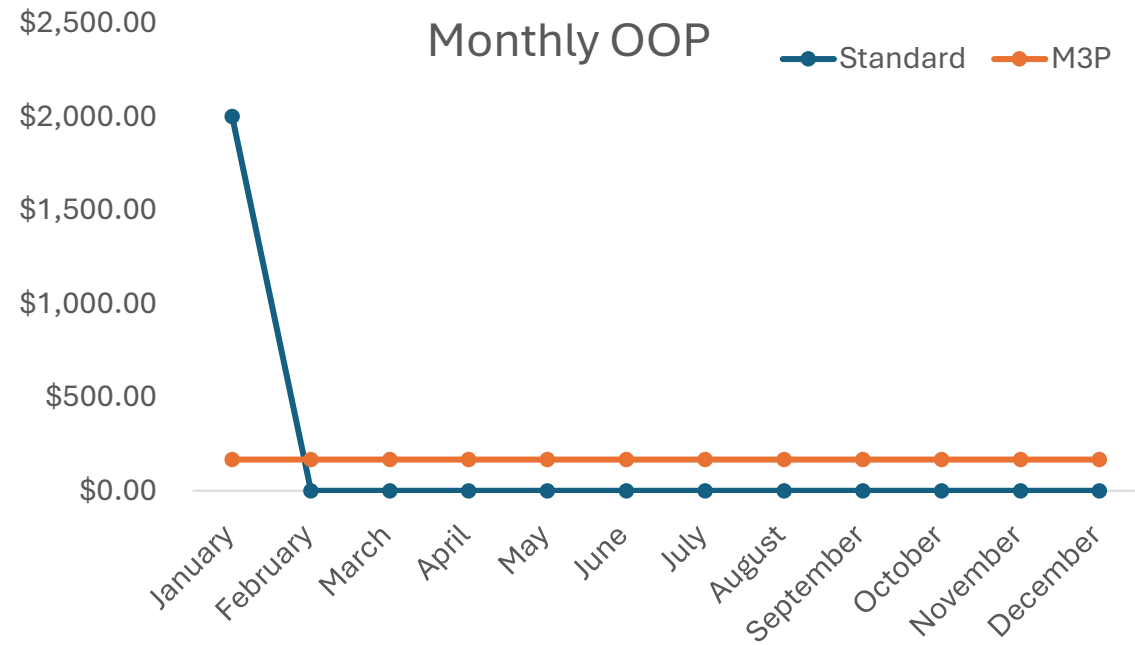
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2025 Medicare Part D

Example: Any drug over ~\$6,230/month

Total OOP: \$2,000

Monthly Patient Out-of-Pocket (OOP)		
	Without M3P	With M3P
January	\$2,000	\$166.67
February	\$0.00	\$166.67
March	\$0.00	\$166.67
April	\$0.00	\$166.67
May	\$0.00	\$166.67
June	\$0.00	\$166.67
July	\$0.00	\$166.67
August	\$0.00	\$166.67
September	\$0.00	\$166.67
October	\$0.00	\$166.67
November	\$0.00	\$166.67
December	\$0.00	\$166.67



\$590 deductible, assumes no other drugs utilized

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