[WHITEPAPER]

Unpacking Medicare Prescription Payment Plan (MPPP)

Dive deep into MPPP implications and opportunities for Health Plans and Pharmacy Benefit Managements (PBMs)

Everest Group®

July 2024

Unpacking Medicare Prescription Payment Plan (MPPP): Implications and Opportunities for Health Plans and Pharmacy Benefit Management (PBM)

Contents

Introduction

High prescription drug costs continue to burden Americans, particularly seniors and those with disabilities reliant on Medicare. Escalating prices present a significant barrier to essential care, impacting millions of Medicare beneficiaries.

To address this issue, the Inflation Reduction Act (IRA) has introduced several prescription drug provisions, including Medicare's newfound ability to negotiate drug prices and implementing a US$2,000 patient Out-of-Pocket (OOP) cap for Medicare Part D beneficiaries. A vital aspect of the IRA is the Medicare Prescription Payment Plan (MPPP), which mandates that all Medicare Part D and Medicare Advantage plans offer monthly billing options for prescription OOP expenses. This structured approach helps individuals manage healthcare budgets more effectively, providing relief from high monthly medication costs. It is important to recognize that the MPPP is designed to spread out OOP costs over a 12-month period for members. This initiative signifies progress in alleviating the financial strain caused by escalating drug costs for Americans.

In this viewpoint, we explore:

- MPPP's key objectives and cost-sharing methodology
- MPPP's impact on health plans and Pharmacy Benefit Management (PBM)
- Solutions for health plans to implement the MPPP
- Ensuring sustainable implementation of the MPPP in the long term

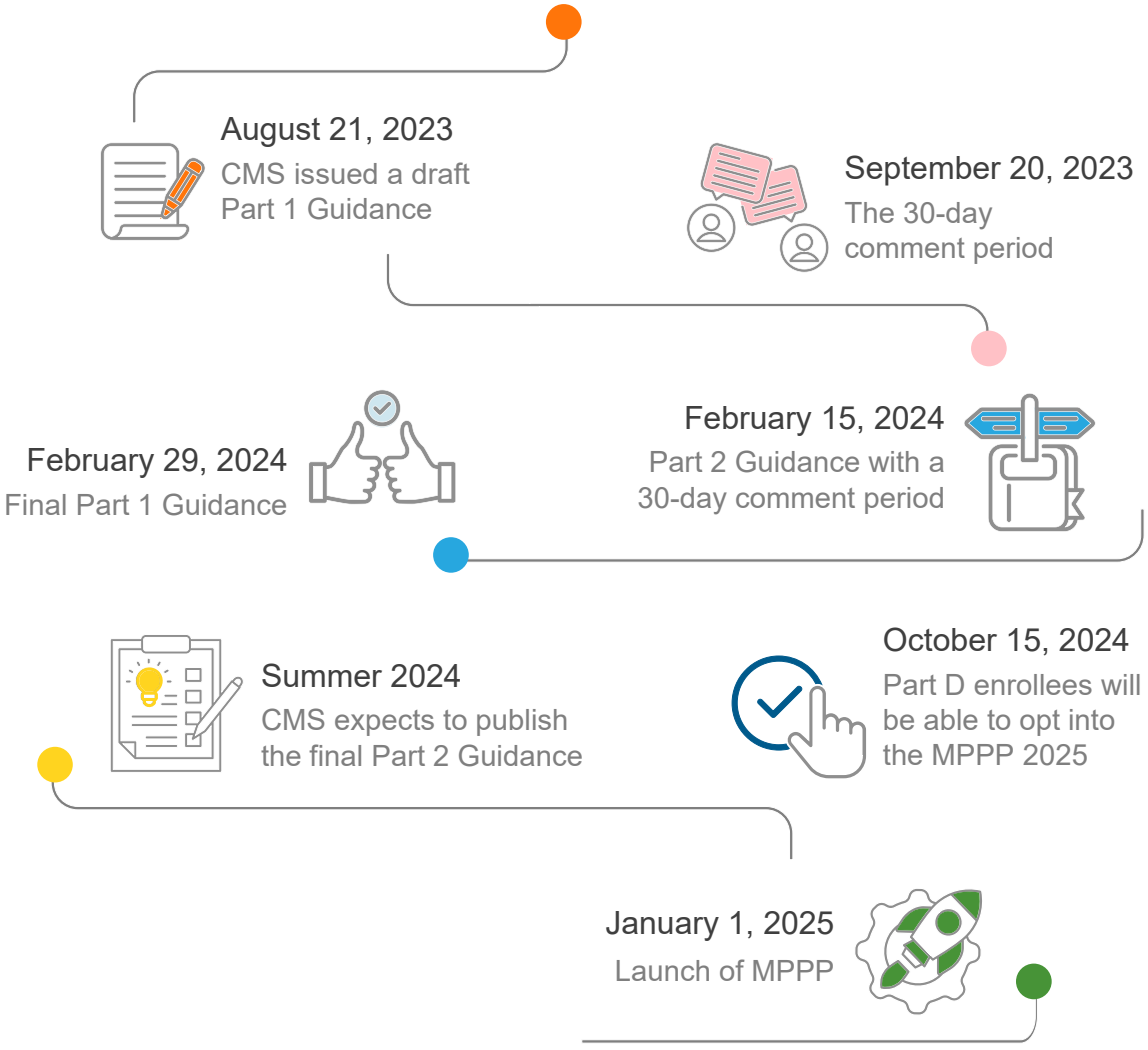
Understanding MPPP

Important timelines

The MPPP is poised to revolutionize how health plans administer prescription drug benefits. To ensure seamless compliance with MPPP requirements, health plans must adhere to essential timelines throughout the preparation and implementation phases. Exhibit 1 outlines the key milestones and deadlines vital for health plans to follow.

Exhibit 1: Evolution of the MPPP mandate: a timeline of key milestones

Source: Everest Group (2024)



MPPP's key objectives

As the healthcare landscape evolves, stakeholders such as plan sponsors, Pharmacy Benefit Management (PBM), and members must understand and adapt to the key features of the MPPP.

- **Eligibility criteria:** MPPP is available to all individuals enrolled in Medicare Part D, including those in the Extra Help program
- **Election:** Medicare Part D beneficiaries can enroll in MPPP during the Annual Enrollment Period (AEP) for coverage effective January 1, 2025
- **Benefits realized:** Opting for monthly payments for high cost-sharing amounts, instead of paying all at once at the pharmacy, can improve access to and affordability of prescription drugs for certain Medicare Part D beneficiaries. While the program is open to all Part D enrollees, Centers for Medicare and Medicaid Services (CMS) will provide tools to help beneficiaries assess the program's suitability, as it may not benefit every enrollee. Part D enrollees with high OOP costs early in the plan year will benefit most from MPPP enrollment, while those with low OOP costs are less likely to see significant advantages
- **Billing and cost-sharing:** Program participants pay US$0 at the pharmacy for covered Part D drugs, with the Part D sponsor billing them monthly for any incurred cost-sharing. CMS encourages various payment methods and specifies billing statement requirements in its draft guidance. Additionally, it is important to note that when a member makes a payment, the Part D payment takes priority over the MPPP, ensuring that primary obligations are met first

MPPP's cost-sharing methodology

The MPPP aims to cap monthly member payments using a maximum monthly cap formula. This approach redistributes cost-sharing throughout the plan year, offering an alternative payment option to alleviate instances of high OOP expenses. Once a beneficiary opts into the program, their financial obligations for OOP costs are restructured, evenly spreading payments across the remaining months of the contract year.

The following calculations are illustrative examples and not exhaustive. Various methods exist for calculating MPPP OOP costs in accordance with CMS guidelines.

The payment formula for the first month of participation, as defined by CMS with an Annual OOP threshold of US$2,000 (months here includes the months beneficiary opted in) is:

$$\textbf{First month maximum cap} = \frac{\text{Annual OOP threshold – incurred costs of the participant}}{\text{Number of months remaining in the plan year}}$$

For subsequent months, the payment formula (months here include the month for which the smoothing payment is calculated) is:

$$\textbf{Subsequent month maximum cap} = \frac{\text{Sum of remaining OOP costs not yet billed to participant} + \text{additional OOP costs incurred by the participant}}{\text{Number of Months Remaining in the Plan Year}}$$

Assuming an annual OOP threshold of US$2,000 and no incurred costs before the plan year, Exhibit 2 illustrates the comparison of annual OOP costs for a member with and without MPPP enrollment. The member without MPPP initially incurs US$500 in cost-sharing each month in the plan year.

Exhibit 2: MPPP calculations using an example

Source: Everest Group (2024), CMS

Month	OPP without MPPP	OPP with MPPP
January	500	166.76
February	500	75.76
March	500	125.76
April	500	181.31
May	0	181.31
June	0	181.31
July	0	181.31
August	0	181.31
September	0	181.32
October	0	181.31
November	0	181.32
December	0	181.31
Total	2000	2000

Key MPPP-related roles and considerations for health plans / PBM

The roles and considerations for payers and PBM across members' MPPP election journey

MPPP necessitates extensive preparation across plan operations, requiring health plans and pharmacy benefit managers to take early action before the 2025 implementation date. Exhibit 3 illustrates the significant roles plan sponsors play due to MPPP billing requirements.

Exhibit 3: Key roles that plan sponsors play

Source: Everest Group (2024)

Election and outreach

Roles: Health plans and PBM must establish flexible election protocols to meet MPPP requirements for new participants. Plans are expected to prioritize enrollee needs, ensuring prompt responses to election requests and offering multiple channels for submission. According to the current guidelines, the key roles of Part D sponsors must:

- Conduct targeted outreach to beneficiaries likely to benefit from MPPP before and during the plan year
- Accept election requests through various methods (for example, paper forms, toll-free numbers, or websites) provided by Part D sponsors
- Issue acceptance notices promptly, either telephonically or in print, allowing participants to opt out at any time during the plan year
- Ensure timely resolution of grievances through effective member support
- Process incomplete election requests by requesting missing information and allowing 21 days for response; denials must include reason and grievance process
- Provide effective customer service support to reach out to members and offer support services for the above requirements
- Starting in 2026, ensure beneficiaries have the ability to opt in or out of the program at the Point of Sale (POS) or pharmacy

Considerations

Misunderstandings regarding eligibility, benefits, and processes can lead to frustration and dissatisfaction among members and health plans and PBM must plan to address these

Billing and payments

Roles: Health plans and PBM must establish clear workflows for billing members and reimbursing pharmacies efficiently. According to the current guidelines, Part D sponsors must:

- Offer multiple payment options for members, including electronic transfers, cash, or check
- Include specific information in member billing statements such as effective participation date, previous balances, remaining balance, and dispute process details
- Ensure pharmacies receive prompt payment according to established standards
- Implement claims adjudication processes to prevent member payments at pharmacies
- Conduct payment reconciliation processes to correct billing errors; plans cannot bill beyond monthly maximums, though participants may exceed the annual OOP maximums
- Plan sponsors assume responsibility for bad debt and are prohibited from charging late fees. They must renumerate MPPP participants for non-payment after a grace period but are obligated to reinstate them if they demonstrate good cause and settle the outstanding debt. However, sponsors cannot disenroll beneficiaries from the Part D plan due to non-payment

- For Low-income Subsidy (LIS) enrollees, promptly reimburse excess premiums or costs within 45 days and adjust future bills based on LIS enrollment
- Upon finalizing an enrollee's MPPP election, the Part D sponsor must reimburse cost-sharing for urgent prescriptions and any covered Part D prescriptions filled between the urgent claim adjudication and the election date within 45 days

Considerations

The MPPP program's flexibility, while beneficial for members, introduces complexities to billing processes. Monthly cap calculations are too intricate for manual processing, necessitating member billing systems to generate separate invoices for MPPP and integrate PBM / health plan member data for precise payment calculations. Streamlining data exchange between PBM / health plans and the MPPP billing solution is essential for efficient computation.

Improving member satisfaction

Roles: To enhance satisfaction and compliance, health plans must engage in proactive communication and secure data exchange with PBM and pharmacies. Under the current proposed requirements, part D sponsors must:

- Include MPPP details in communications with providers and network pharmacies, prompting notification to Part D enrollees if cost-sharing exceeds thresholds
- Assess Part D enrollees' prescription costs before the plan year, contacting those with US$2000 OOP expenses between January 1 and September 30
- Provide new members with comprehensive program overviews and CMS-provided materials covering election processes, voluntary removal, non-payment, termination, and monthly cap calculations
- Update existing Part D materials, including member ID cards and website content, with MPPP information
- Inform participants about the LIS program and issue timely notices for missed payments

Considerations

Members expect prompt processing of election requests and claims, and delays can fuel dissatisfaction. They often have high expectations regarding cost savings and OOP expenses, requiring health plans and PBM to manage these expectations transparently. Additionally, it is vital to keep members informed about changes due to regulatory updates or policy changes to avoid confusion and maintain trust.

Streamlining communication between health plans, PBM, and pharmacies

Roles: To ensure seamless MPPP implementation and efficient operations, health plans and PBM must fulfill specific roles and responsibilities:

- Ensure seamless integration across systems to promptly inform pharmacies when a member opts into MPPP
- Establish effective communication channels from payer to PBM to pharmacy. Prioritize enhancing vertical data flow to eliminate communication gaps
- Proactively engage with PBM to ensure readiness for implementing MPPP in 2025
- Discuss program parameters, roles, and responsibilities to align expectations on claims processing, pharmacy compliance with enrollee communications, and addressing medication delays

Fulfilling these requirements ensures that health plans and PBM are well-prepared to meet MPPP guidelines, effectively manage member interactions, and successfully handle financial obligations under the new payment plan

Considerations

Despite variations in data formats and standards across disparate systems, such as enrollment data, healthcare enterprises must prioritize data standardization and streamlined data transfer to ensure successful MPPP implementation. This involves establishing real-time data exchange capabilities to facilitate timely updates of member enrollment status, claims processing, and payment information between plan sponsors and PBM.

Operational impact of the MPPP mandate on health plans

Preparation and planning are essential for the MPPP, given its substantial impact on various operational facets, including bad debt management, cash flow, implications for low-income members, and potential effects on star ratings. Plan sponsors must carefully consider these impact considerations:

- **Star ratings:** MPPP's complexity may impact plan sponsor star ratings if members struggle to understand its mechanisms or perceive a lack of transparency, therefore clear communication about MPPP functionality and benefits is important to manage member expectations and mitigate dissatisfaction that could affect star ratings. Proactive member education and timely resolution of customer issues through a customer support executive can help minimize negative impacts and support the financial performance of Medicare Advantage plans
- **Bad debt:** Plan sponsors may face increased bad debt under MPPP, as they must account for unpaid dues from members due to reasons such as payment negligence, disenrollment, or member death
- **Cash flow:** The MPPP changes the timing of member payments for prescription costs, potentially creating cash flow challenges for plan sponsors that traditionally pay pharmacies upfront for dispensed prescriptions
- **Overpayment and billing errors under low-income membership:** MPPP's impact on LIS members can lead to overpayments and billing errors. Plan sponsors must establish procedures to identify and promptly refund any excess premiums or OOP expenses paid by LIS beneficiaries, typically within 45 days. They should also adjust future bills based on LIS enrollment status to ensure accurate billing and prevent beneficiary overpayment

By addressing these considerations and ensuring efficient operational management, plan sponsors can effectively navigate the challenges posed by MPPP implementation, maintaining member satisfaction and operational stability.

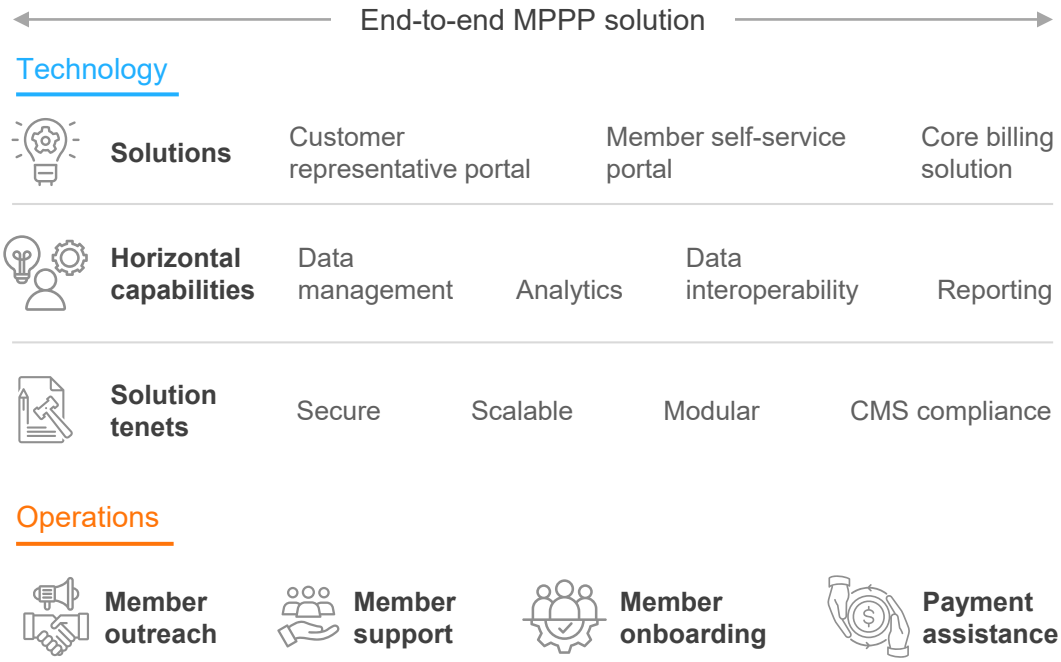
Key solution components required to implement MPPP

Key components of an end-to-end MPPP solution

Multiple building blocks are required to implement MPPP successfully. While technology solutions play a vital role, other key components, such as horizontal capabilities and operational services, are also essential for delivering a comprehensive end-to-end MPPP solution. Exhibit 4 illustrates the modular solutions, technology enablers, key solution tenets, and operations required to create an end-to-end MPPP solution.

Exhibit 4: End-to-end solution for implementing MPPP

Source: Everest Group (2024)



To implement MPPP effectively, the technology solutions should include a core MPPP billing tool, a member self-service portal, and a customer representative portal. These solutions are detailed later in the report.

For horizontal capabilities, it is imperative to include a data layer that streamlines data management and interoperability, and an analytical layer to generate insights and meet CMS reporting requirements.

To optimize the technology solutions, key tenets such as data security, compliance with CMS guidelines, and scalability to handle increasing requests should be factored in while building the solution.

Beyond the technology solutions and key tenets, the offering should encompass operational support to assist health plans across the following functions:

- **Member outreach and onboarding:** Reaching out to members to educate them on MPPP and provide support around the election period
- **Member support:** Representatives ensure a seamless experience after onboarding members, offering personalized support and handling member inquiries and issues
- **Payment assistance:** Providing dedicated support to assist members in managing their financial transactions effectively and offering payment reminders

Exploring core technology solutions to effectively implement MPPP

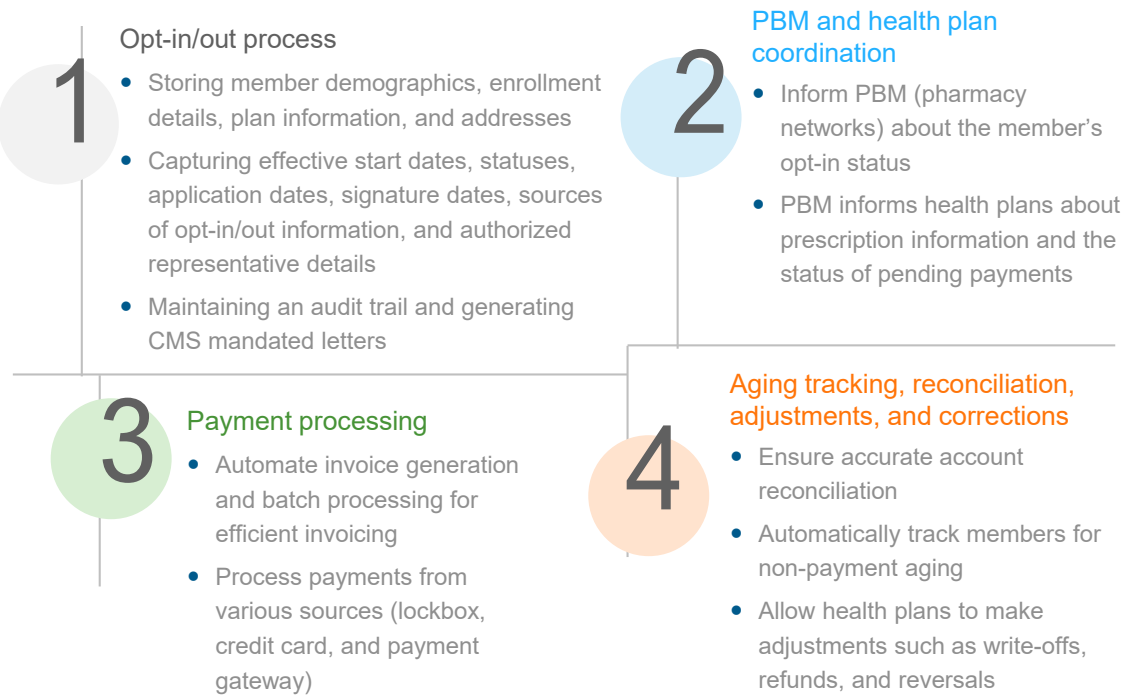
As discussed, implementing MPPP smoothly requires leveraging technology to streamline complex billing processes and address member queries. By using technologies such as automation and analytics, use cases such as handling large volumes of data, processing payments, and generating invoices quickly can be enabled seamlessly, significantly improving operational efficiency. This segment further explores the core technology solutions that play a major role in MPPP implementation.

MPPP medical billing solutions

In the MPPP medical billing process, maintaining accuracy, oversight, and monitoring payment activities are significant pain points for health plans and PBM. These challenges can be addressed by deploying a solution that automates most of these redundant tasks in the billing process. Additionally, the solution must integrate seamlessly with payer and pharmacy systems, providing real-time data access and efficient data import/export. Exhibit 5 illustrates the detailed technology-led use cases that an MPPP billing solution can enable.

Exhibit 5: Key processes streamlined through billing solution

Source: Everest Group (2024)



Customer representative portal

A customer representative portal centralizes member information and provides quicker access to data for the user (customer representative). Customer representatives can leverage this portal to address member queries more seamlessly.

This portal addresses several pain points, including delayed and inaccurate responses due to fragmented data, complex and slow opt-in/out processes, confusion over billing and payment statuses, and lack of personalized support. Exhibit 6 outlines the key use cases that a customer representative portal can enable to implement MPPP.

Exhibit 6: Key use cases enabled by a customer representative portal

Source: Everest Group (2024)

Functions	Technology-led use cases enabled by the portal
Member data management 	• Manage the member's opt-in/out history to help with program decisions • Maintain a log of all communication with the member for accountability and transparency
Status tracking 	• Provide real-time visibility into the member's current status in the program • Summarize and track prescription information month-by-month for clear visibility
Payments 	• Assist members with making payments via an integrated payment gateway upon request and track payment history and statuses • Calculate the financial impact of future prescriptions on the member's monthly invoices to provide a payment forecast and help them plan accordingly

Member self-service portal

Health plan members often face issues and delays when managing their accounts, viewing and paying invoices, or accessing prescription and payment histories without a self-service option. This leads to increased call volumes, longer wait times, and reduced member satisfaction. Implementing a self-service portal under complex and new processes such as MPPP can significantly reduce these issues. Exhibit 7 illustrates the key features a member self-service portal should have to ensure compliance with CMS guidelines and improve member satisfaction.

Exhibit 7: Key features available on the self-service portal

Source: Everest Group (2024)

Opt-in/Opt-out

Opt-in/out of the program through the portal with detailed information on benefits and procedures

View opt-in effective date and history

Payments

Make payments through the portal

Access, view, print, or save invoices on any device and review payment history

Access records

View electronic versions of all correspondence, including opt-in and opt-out confirmations

See payments made, outstanding invoices, and delinquent processes

MPPP-related inquiries

Input recurring drug costs to see the impact on future invoices

Access to sample calculations, payment information, urgent requests handling process, and grievance filing information

Reporting solutions

Part D sponsors must develop procedures to compile and report various data to CMS, Part D enrollees, and the public. These data include the cost of operations, utilization patterns, service availability, fiscal soundness, and pharmacy performance measures. Analytics tools play a vital role in meeting these reporting requirements by facilitating efficient data collection and analysis. Exhibit 8 highlights the key reports that must be generated according to CMS mandates through analytical solutions.

Exhibit 8: Reports that enhance the functioning of plan sponsors

Source: Everest Group (2024)

Utilization report

CMS requirement:

The patterns of utilization of Part D sponsor' services

Content: Provides health plans with detailed information on:

- Member utilization
- Member information
- Member utilization rates
- Prescriptions filled during the program period for a member

Financial report

CMS requirement

The cost of Part D sponsors' operations

Content: Captures all transactional data for:

- Billing purposes
- Member invoicing
- Payments made
- Adjustments (for example, non-sufficient funds, write-offs, and refunds)
- Cash inflows from bank or payment portals

Beneficiary level report

CMS requirement

Enrollment and disenrollment period trends

Content: Provides information on:

- Members who opted in and out of the program
- Dates of opting in/out
- Reasons for opting out (voluntary or involuntary)

Other real-time analytics-led reports that will benefit plan sponsors include:

- **Aging report:** This report facilitates identifying members who default on payments. It includes information on delinquent members, billed amounts, payments received, adjustments made, invoice balancing details, and members' categorized into delinquency buckets (30 days, 60 days, over 90 days)
- **Part D enrollment benefit analysis report:** This report analyzes past claims to identify Part D enrollees who are likely to benefit from specific services or plans

Forward-looking use cases in the MPPP space (beyond mere compliance)

While implementing MPPP will require health plans and PBM to invest significantly in developing technology capabilities such as portals and billing solutions, there are additional use cases that can enhance the operations of these organizations. Here are some forward-looking technology use cases:

- **Automating opt-in/out processes:** Leveraging AI / Natural Language Processing (NLP) to automate the opt-in/out processes in the MPPP program
- **Deploying generative AI-powered chatbots:** Using generative-AI powered chatbots to provide 24/7 customer support, addressing common queries about prescription coverage, benefits, and claims
- **Using predictive analytics for cost forecasting:** Employing predictive analytics to forecast medication costs and utilization patterns, improving cash flow planning and management for health plans and PBM
- **Implementing automated call scheduling:** Setting up automated call scheduling using Interactive Voice Response (IVR) for tasks such as payment reminders, enrollment confirmations, and benefit updates

Performance governance through KPIs

Even with MPPP's implementation through technology solutions and services, plan sponsors must ensure they can govern and track the program's success effectively. To manage the overall efficiency of the MPPP plan and drive continuous improvement, health plans and PBM must establish performance governance using KPIs. These indicators measure both business and operational outcomes. Here are a few important KPIs for assessing the MPPP's effectiveness:

- **Key MPPP-specific operational KPIs**
  - Timeliness of member opt-in/election request processing
  - Timeliness of member opt-out processing
  - Timeliness of sending mandated CMS letters to members
  - Timeliness of reporting to CMS
- **Key enterprise-specific strategic KPIs**
  - Billing accuracy
  - Bad debt rate
  - Member satisfaction score

It is important to note that these metrics are illustrative, and primary KPIs may vary for each health plan and PBM.

Conclusion

While the MPPP primarily aims to alleviate the burden of prescription costs for Medicare beneficiaries, successfully implementing it also offers significant benefits to health plans. This initiative aligns closely with health plans' priorities such as enhancing STAR ratings and increasing reimbursements.

By deploying solutions such as billing systems and member portals, along with operational support, plans and PBM can streamline processes and enhance the member experience. Additionally, effective communication and proactive member education about the MPPP program and its benefits are essential to manage expectations and reducing dissatisfaction. This approach helps safeguard plan sponsor STAR ratings and supports the financial performance of Medicare Advantage plans.

Looking ahead, there are opportunities to further optimize plan sponsor operations through predictive analytics and AI. Overall, MPPP represents a crucial initiative aimed at reducing OOP costs for medications and improving healthcare outcomes for millions of Americans.

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With you on the journey

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This study was funded, in part, by Wipro

For more information about Everest Group, please contact:

+1-214-451-3000

info@everestgrp.com

For more information about this topic please contact the author(s):

Kaushik S, Practice Director
kaushik.s@everestgrp.com

Amala Varsheni, Senior Analyst
amala.varsheni@everestgrp.com

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We have provided quick and cost-effective end-to-end support to managed care organizations across the country since 1986

Expertise with over 100 plans.
We created seamless member experience for over 100 Medicare Advantage Plans, Part D, Cost Plans, Duals and Special Need Plans

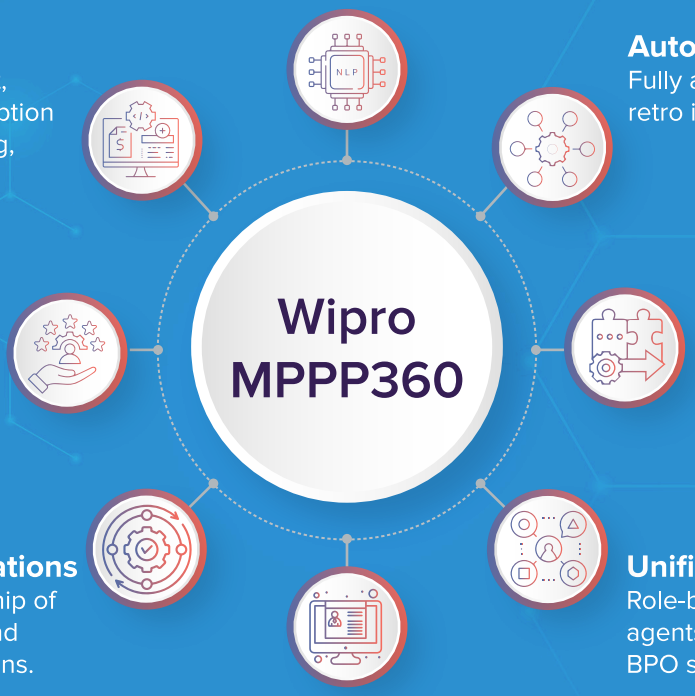
Serving 23+ million members.
We are the third-largest party submitter to CMS and currently serve 23+ million members and 350,000 duals.

Our solution, Wipro Medicare Prescription Payment Plan360 (MPPP360) offers uncompromising regulatory compliance with the latest CMS guidelines. The solution offers comprehensive product development, maintenance and reporting services. Key features of Wipro MPPP360 include:

AI/ Natural Language Processing
Automate call scheduling and opt-in / opt-out processing, offer 24/7 customer support and forecast medication cost & utilization.

Integrated Billing
Manages eligibility, enrollment, member maintenance, prescription billing, delinquency processing, and financial reporting.

Automated Processes
Fully automated current and retro invoice calculations.



Enhanced Customer Service
Improves star ratings by enhancing member experience.

Seamless Integrations
Real-time/batch integrations with health plans, PBMs, payment gateways, and fulfillment partners.

Complete Operations
End-to-end ownership of customer service and back-office operations.

Unified Experience
Role-based access for sales agents, CRM representatives, and BPO staff via an integrated portal.

Customizable Portal
Optional device-agnostic member portal with self-service capabilities and health-plan specific branding.

For more details, visit Wipro Medicare Prescription Payment Plan360.

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