
Letter Number 2023-02

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Fee-for-service [2]

Experience-rated HMO [2]

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Subject: FEHB and Medicare Part D Prescription Drug Coordination

Summary

This letter updates FEHB Program policy on FEHB Plan coordination with Medicare Part D.

Background

We encourage FEHB Carriers to offer benefits that maximize value to enrolled individuals under FEHB and Medicare. In recent years, a growing number of Carriers have offered a Medicare Advantage Prescription Drug Employer Group Waiver Plan (MA-PD EGWP) to FEHB enrollees who are entitled to Medicare Part A and enrolled in Medicare Part B.

The coordination between an FEHB plan and its associated MA-PD EGWP allows FEHB enrollees to benefit from the statutorily-required manufacturer discounts required under Medicare Part D.

Medicare Part D has been available since 2006 and generally requires a separate premium to access the benefit. In the past, OPM has not actively encouraged Part D-eligible FEHB enrollees to purchase a Part D plan. The prescription drug coverage offered by participating FEHB Carriers is creditable coverage and is, on average, comparable to or better than the standard Part D plan design.

As explained below, recent changes to laws concerning Medicare drug benefits have made the environment more favorable for FEHB enrollees who are Medicare eligible to benefit from their Part D eligibility.

Discussion

The Inflation Reduction Act (IRA) of 2022 (Public Law 117-169) redesigned the Medicare Part D benefit in the following ways:

- Starting in 2023, the IRA sets a \$35 cap on the cost of insulin products and waives cost-sharing for Part D adult vaccines that are recommended by the Advisory Committee on Immunization Practices.
- Beginning in 2024, the IRA eliminates the 5% coinsurance for Part D catastrophic coverage and expands income eligibility for the low-income subsidy to 150% of the Federal poverty level (FPL).
- Starting in 2025, there will be a \$2,000 cap on a Part D enrollee's out-of-pocket spending and a Part D enrollee may spread their out-of-pocket costs over the year.
- From 2024 through 2030, average basic Part D premium growth is capped at 6% per year.

Offering Part D EGWPs that seamlessly coordinate with FEHB plans will provide FEHB annuitants the opportunity to take advantage of changes to the Medicare Part D program shown above. This coordination may make healthcare more affordable for FEHB enrollees by incorporating the manufacturer discounts required under Medicare Part D.

Another law passed in 2022, the Postal Service Reform Act (PSRA) of 2022, establishes the Postal Service Health Benefits (PSHB) Program which begins in 2025. It requires that all PSHB Carriers provide prescription drug coverage for Medicare-eligible Postal Service annuitants and their Medicare-eligible family members through a Medicare Part D plan. Administrative efficiency can be achieved by Carriers offering similar arrangements to Medicare-eligible annuitants and their Medicare-eligible family members enrolled in FEHB plans, while maintaining compliance with PSHB Program statutory

requirements. Carriers offering both FEHB and PSHB plans may also maximize savings and help mitigate enrollee confusion about drug coverage.

These changes affecting the Medicare Part D benefit highlight the benefits of more closely coordinating the drug benefit offered to FEHB enrollees with Medicare through EGWPs. CMS has authority to waive or modify Part D regulatory requirements through EGWPs. Medicare Part D EGWP base formularies are approved by CMS. Medicare Part D benefits, including EGWP benefits, are not FEHB benefits under 5 U.S.C. chapter 89. EGWPs allow FEHB Carriers to augment the standard Part D benefit with, for instance, non-Part D drugs currently offered through the FEHB plan formulary. In such arrangements, your Pharmacy Benefits Manager (PBM) should seamlessly coordinate between the EGWP and the FEHB plan for the enrollee's drug coverage such that the enrollee receives equal or better drug coverage than if enrolled solely in a FEHB plan without a corresponding Part D EGWP.

Conclusion

Carriers should actively consider offering EGWPs, including prescription drug plan (PDP) EGWPs, to their FEHB Program members. Additional information will be provided in the upcoming Annual Call Letter and Technical Guidance.

Sincerely,

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