
42 U.S. Code § 1395w-115

Subsidies for part D eligible individuals for qualified prescription drug coverage

(a) Subsidy payment

In order to reduce premium levels applicable to qualified prescription drug coverage for part D eligible individuals consistent with an overall subsidy level of 74.5 percent (or, for each of 2024 through 2029, the percent applicable as a result of the application of section 1395w-113(a)(8) of this title, or, for 2030 and each subsequent year, 100 percent minus the percent specified under section 1395w-113(a)(9) of this title) for basic prescription drug coverage, to reduce adverse selection among prescription drug plans and MA-PD plans, and to promote the participation of PDP sponsors under this part and MA organizations under part C, the Secretary shall provide for payment to a PDP sponsor that offers a prescription drug plan and an MA organization that offers an MA-PD plan of the following subsidies in accordance with this section:

(1) Direct subsidy

A direct subsidy for each part D eligible individual enrolled in a prescription drug plan or MA-PD plan for a month equal to—

- (A) the amount of the plan's standardized bid amount (as defined in section 1395w-113(a)(5) of this title), adjusted under subsection (c)(1), reduced by
- (B) the base beneficiary premium (as computed under paragraph (2) or (8) of section 1395w-113(a) of this title (as applicable) and as adjusted under paragraph (1)(B) of such section).

(2) Subsidy through reinsurance

The reinsurance payment amount (as defined in subsection (b)).

This section constitutes budget authority in advance of appropriations Acts and represents the obligation of the Secretary to provide for the payment of amounts provided under this section.

(b) Reinsurance payment amount

(1) In general

The reinsurance payment amount under this subsection for a part D eligible individual enrolled in a prescription drug plan or MA-PD plan for a coverage year is an amount equal to—

- (A) for a year preceding 2025, 80 percent of the allowable reinsurance costs (as specified in paragraph (2)) attributable to that portion of gross covered prescription drug costs as specified in paragraph (3) incurred in the coverage year after such individual has incurred costs that exceed the annual out-of-pocket threshold specified in section 1395w-102(b)(4)(B) of this title; and
- (B) for 2025 and each subsequent year, the sum of—
 - (i) with respect to applicable drugs (as defined in section 1395w-114c(g)(2) of this title), an amount equal to 20 percent of such allowable reinsurance costs attributable to that portion of gross covered prescription drug costs as specified in paragraph (3) incurred in the coverage year after such individual has incurred costs that exceed the annual out-of-pocket threshold specified in section 1395w-102(b)(4)

(B) of this title; and

(ii) with respect to covered part D drugs that are not applicable drugs (as so defined), an amount equal to 40 percent of such allowable reinsurance costs attributable to that portion of gross covered prescription drug costs as specified in paragraph (3) incurred in the coverage year after such individual has incurred costs that exceed the annual out-of-pocket threshold specified in section 1395w-102(b)(4)(B) of this title.

(2) Allowable reinsurance costs

(A) In general

Subject to subparagraph (B), for purposes of this section, the term “allowable reinsurance costs” means, with respect to gross covered prescription drug costs under a prescription drug plan offered by a PDP sponsor or an MA-PD plan offered by an MA organization, the part of such costs that are actually paid (net of discounts, chargebacks, and average percentage rebates) by the sponsor or organization or by (or on behalf of) an enrollee under the plan, but in no case more than the part of such costs that would have been paid under the plan if the prescription drug coverage under the plan were basic prescription drug coverage, or, in the case of a plan providing supplemental prescription drug coverage, if such coverage were standard prescription drug coverage.

(B) Inclusion of manufacturer discounts on applicable drugs

For purposes of applying subparagraph (A), the term “allowable reinsurance costs” shall include the portion of the negotiated price (as defined in section 1395w-114c(g)(6) of this title) of an applicable drug (as defined in section 1395w-114c(g)(2) of this title) that was paid by a manufacturer under the manufacturer discount program under section 1395w-114c of this title.

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