

A guide to 2025 Medicare Part D

Coverage for specialty drugs



Important changes to Medicare Part D^{1,2}

The Inflation Reduction Act (IRA) includes several provisions addressing prescription drug costs for people with Medicare, including a number of changes to the Medicare Part D benefit.

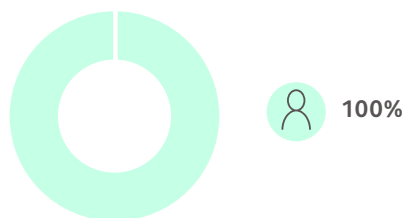
Starting in 2025, the coverage gap phase (also known as the Donut Hole) will be eliminated. Additionally, the maximum patient out-of-pocket (OOP) for any Medicare Part D plan will be capped at \$2,000.

The 3 phases of Medicare Part D in a standard benefit plan^{2*}

Phase 1: Deductible Phase^{1,2}

Patients are required to pay the entire deductible amount for covered prescription drugs before their Part D plan can start providing any financial coverage, including for specialty drugs.

A patient's deductible depends on the Medicare Part D plan in which they are enrolled but **will not exceed \$590 in 2025**.



Phase 2: Initial Coverage Phase[†]

Once a patient pays the deductible, they pay **25%** of the prescription drug cost, their Medicare Part D plan pays 65%, and, if applicable, the manufacturer of a brand-name drug pays the rest.

NEW IN 2025: The Initial Coverage Phase ends when the patient spends a total of \$2,000 on prescription drugs. The patient then moves into the Catastrophic Coverage Phase.



Phase 3: Catastrophic Coverage Phase[†]

Once entering the catastrophic phase, **patients no longer have any cost-sharing responsibility**. The Part D plan, Medicare, and, if applicable, the manufacturer of a brand-name drug will cover the full cost of the medication.



LEGEND:



Patient



Medicare
Part D Plan



Manufacturer



Government
(Medicare)

^{*}Patients enrolled in Enhanced Alternative (EA) plans may have different cost-sharing structures. However, the patient out-of-pocket will be capped at \$2000 irrespective of the plan design.

[†]Illustrations shown are for brand-name drugs only. For generic drugs, Part D plans will be responsible for 75% of the drug costs in the Initial Coverage Phase, and Medicare will be responsible for 40% of the drug costs in the Catastrophic Coverage Phase.

Medicare Prescription Payment Plan³⁻⁶

- The Medicare Prescription Payment Plan is a **voluntary payment option provided by a patient's Medicare Part D insurance plan to help them manage their OOP drug costs by spreading the payment over the course of the plan year (January-December)** in the form of monthly payments. This option may help patients manage their drug expenses, but it does not save them money or lower their OOP drug cost.
- When enrolled into this payment plan and a patient fills a prescription covered by Part D, their OOP cost at the pharmacy will be **\$0**. Instead, their Part D plan will bill them monthly for any cost-sharing they incur while enrolled in the program. The monthly bill is based on the cost of the prescription plus any previous months' balance (if any) divided by the number of months left in the year.
- **Medicare Prescription Payment Plan participation and termination are voluntary, at no cost to patients.**

Who can apply?



All patients enrolled in or eligible for Medicare Part D, including Prescription Drug Plan (PDP) and Medicare

Advantage Prescription Drug Plan (MAPD), can apply to participate in the Medicare Prescription Payment Plan program.

While this program is available to anyone with Medicare Part D, **patients taking high-cost drugs earlier in the plan year are generally more likely to benefit.**

CMS has stated that it is more advantageous for patients who are eligible for Low-Income Subsidy (LIS) to enroll in LIS than participate in the Medicare Prescription Payment Plan, though eligible patients can enroll in both.

When to apply?



Patients may opt into the Medicare Prescription Payment Plan program:

- During Medicare Open Enrollment: October 15, 2024 – December 7, 2024
- Prior to the beginning of the plan year or in any month during the plan year



In 2025, patients who choose to enroll at the time of filling a prescription may have to return to the pharmacy on another day to collect their medicine after receiving an enrollment confirmation from their Part D plan (typically within 24 hours of application).

How to apply?

Patients can apply as directed by their Part D plan sponsors, through:



An election request form during enrollment



By phone as directed by the Part D plan



By mail with a paper election form



Online, as directed by the Part D plan

Patients can call **1-800-MEDICARE (1-800-633-4227)** if they need help contacting their Part D plan.

Enrolling in the Medicare Prescription Payment Plan program early, ***before*** incurring high OOP cost, allows patients to:

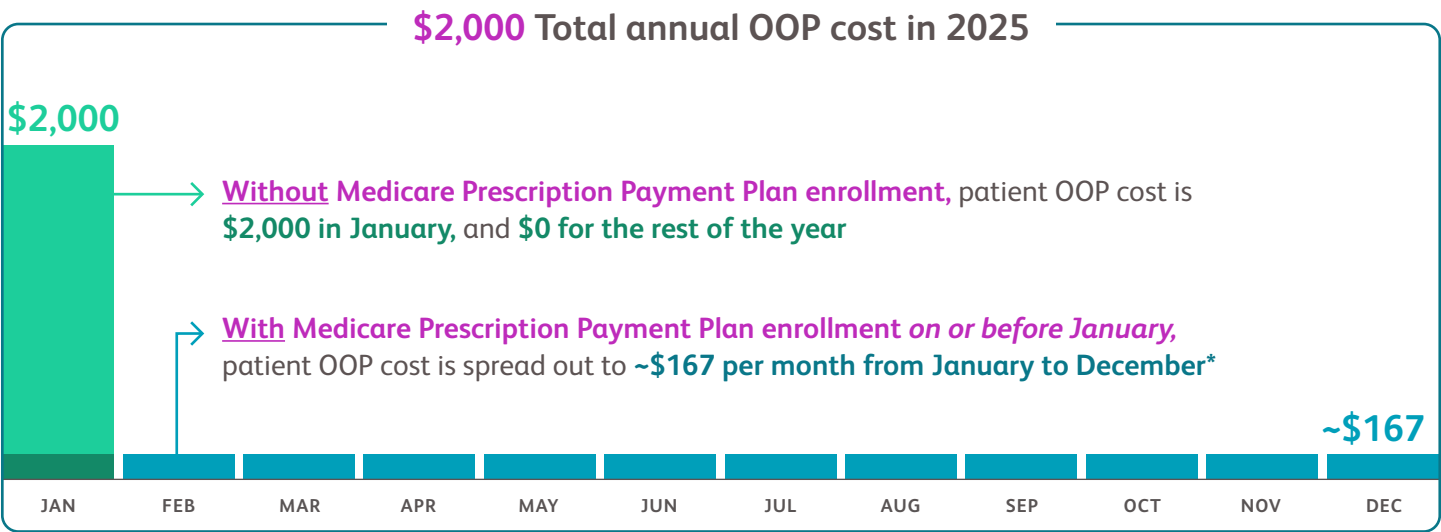
- ✓ Have timely access to their medication without delay
- ✓ Have lower monthly payments by spreading OOP costs over a longer period

Patient cost journey examples

The cost of a specialty drug, regardless of drug price, goes through the 3 phases of Medicare Part D in 2025.

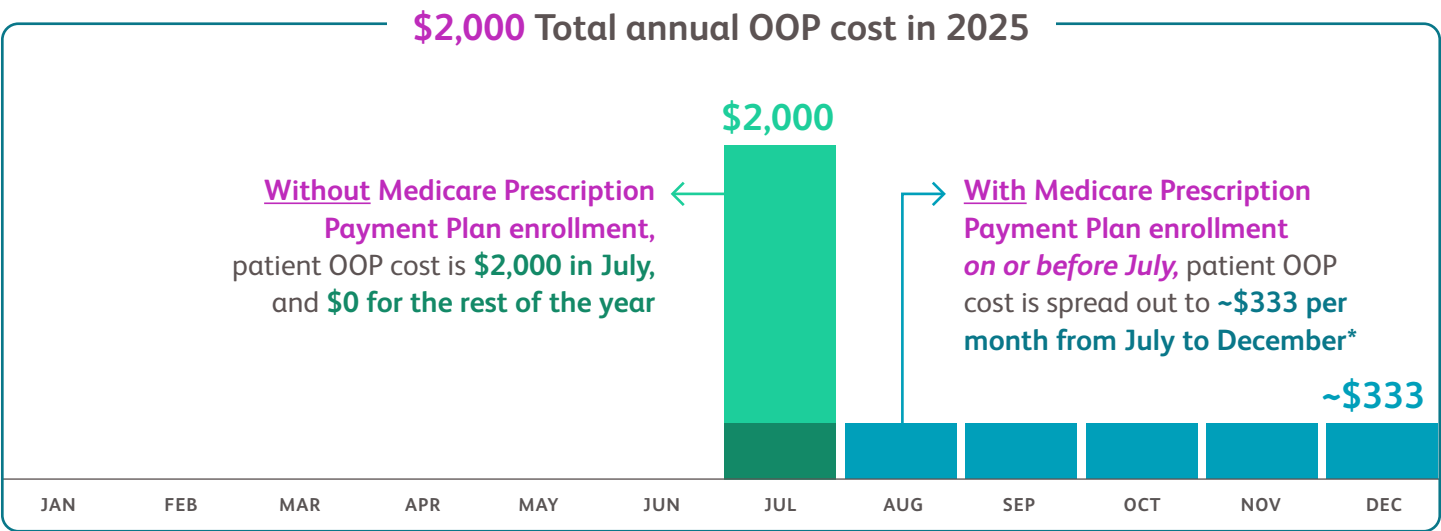
Note: The following are hypothetical patients and cost calculations. All costs presented in these examples are subject to change based on individual Part D plans, geography, and costs associated with healthcare facilities. Medicare Part D premiums are not included in the cost analysis.

Patient 1 is prescribed a brand-name specialty drug called Drug X in **January 2025**. Drug X has a price of \$300,000/year (\$25,000/month), but that is not what they actually pay. The following example illustrates what Patient 1 would pay monthly.



*Assume patient does not have any out-of-pocket cost incurred prior to the prescription fill for Drug X in January.

Patient 2 is prescribed a brand-name specialty drug called Drug X in **July 2025**. Drug X has a price of \$300,000/year (\$25,000/month), but that is not what they actually pay. The following example illustrates what Patient 2 would pay monthly.



*Assume patient does not have any out-of-pocket cost incurred prior to the prescription fill for Drug X in July.

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Glossary

Specialty drug: High-cost prescription medication generally used to treat complex, chronic conditions

Covered Part D drugs: Outpatient drugs that are generally oral or self-administered, with a few exceptions, such as drugs used to treat weight loss or gain, and over-the-counter drugs

Medicare: Federal health insurance run by the Centers for Medicare & Medicaid Services (CMS) for people 65 or older and some people under 65 with certain disabilities or conditions

Medicare Advantage Prescription Drug (MAPD) plan: A Medicare Advantage Prescription Drug (MAPD) plan is a type of Medicare Advantage plan (also known as Medicare Part C) that includes coverage for prescription drugs. These plans are offered by private insurance companies approved by Medicare and provide all the benefits of Original Medicare (Part A and Part B). A Medicare beneficiary under a MAPD plan would have Part A, B, and D coverage, all under one plan.

Prescription Drug Plan (PDP): A type of insurance plan that helps cover the cost of prescription medications. These plans are often part of Medicare Part D, which is designed to help Medicare beneficiaries pay for their prescription drugs

Part D plan sponsor: Private insurers that provide Part D drug benefits to Medicare beneficiaries

Standard benefit: In 2025, the standard Part D benefit design will consist of 3 phases, with an annual out-of-pocket threshold capped at \$2,000:

Annual Deductible Phase

Initial Coverage Phase

Catastrophic Coverage Phase

Enhanced Alternative (EA): A type of Medicare Part D prescription drug plan that offers additional benefits beyond the standard coverage

References: **1.** Kaiser Family Foundation. Changes to Medicare Part D in 2024 and 2025 Under the Inflation Reduction Act and How Enrollees Will Benefit. <https://www.kff.org/medicare/issue-brief/changes-to-medicare-part-d-in-2024-and-2025-under-the-inflation-reduction-act-and-how-enrollees-will-benefit/>. Accessed July 17, 2024. **2.** Final CY 2025 Part D Redesign Program Instructions. CMS. <https://www.cms.gov/files/document/final-cy-2025-part-d-redesign-program-instructions.pdf>. Accessed July 17, 2024. **3.** Medicare Prescription Payment Plan: Final Part One Guidance. <https://www.cms.gov/files/document/medicare-prescription-payment-plan-final-part-one-guidance.pdf>. Accessed July 17, 2024. **4.** Medicare Prescription Payment Plan: Final Part Two Guidance. CMS. <https://www.cms.gov/files/document/medicare-prescription-payment-plan-final-part-two-guidance.pdf>. Accessed July 17, 2024. **5.** Final Likely to benefit notice. CMS Model Materials. <https://www.cms.gov/inflation-reduction-act-and-medicare/part-d-improvements/medicare-prescription-payment-plan>. Accessed July 17, 2024. **6.** Final Election Request Form. CMS Model Materials. <https://www.cms.gov/inflation-reduction-act-and-medicare/part-d-improvements/medicare-prescription-payment-plan>. Accessed July 17, 2024.