

**Statutory Accounting Principles (E) Working Group
Maintenance Agenda Submission Form
Form A**

Issue: Update Coverage Gap Reference

Check (applicable entity):

	P/C	Life	Health
Modification of Existing SSAP	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>
New Issue or SSAP	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Interpretation	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Description of Issue:

The objective of this agenda item is to update references to the Coverage Gap Discount Program within *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage*. In accordance with the Inflation Reduction Act of 2022, the Coverage Gap Discount Program ended as of December 31, 2024. It has been replaced by the Manufacturer Discount Program, and corresponding updates to INT 05-05 are proposed to reflect this change.

The CMS Manufacturer Discount Program is a new Medicare Part D program that began on January 1, 2025. It requires participating pharmaceutical manufacturers to sign an agreement with the Centers for Medicare & Medicaid Services (CMS) to make their drugs eligible for Medicaid coverage. The participating drug manufacturers are required to provide discounts on eligible medications. After discussion with health industry representatives, the new program is also proposed to follow the guidance in *SSAP No. 47—Uninsured Plans*.

Existing Authoritative Literature:

INT 05-05 references the Coverage Gap Discount Program as follows (bolding added for emphasis):

4. The Emerging Accounting Issues (E) Working Group reached a consensus to adopt the following guidance as it applies to the various funds to be received under the Medicare Part D program. The funds should be accounted for in accordance with one of the three SSAP’s outlined below:
 - a. Specific funds received as reimbursements (or advance payments) for uninsured claims under a partially uninsured plan should be accounted for under SSAP No. 47. These funds include “reinsurance payments,” “**Coverage Gap Discount Program**” payments and “low-income subsidy (cost-sharing portion).” These funds are paid by the government for a portion of claims above the out-of-pocket threshold or relate to prescription drug plan (PDP) payments for all or a portion of the deductible, the coinsurance and the co-payment amounts for low-income beneficiaries. CMS provides advance funding to the Part D sponsors. The Part D sponsor uses those advances to provide point-of-sale drug discounts to participants. CMS invoices the prescription drug manufacturers. The payment reconciliation process ensures that the Part D sponsor is paid dollar for dollar for coverage gap discounts advanced at the point of sale, based on accepted prescription drug event (PDE) data, and that any unused excess advances from the government are repaid. The Coverage Gap Discount Program does not apply to low-income beneficiaries.
 - b. Specific funds received by the PDP sponsor from either the Medicare Part D enrollee or the government as payment for standard coverage that will be subject to retrospective premium adjustments should be accounted for under SSAP No. 66. These funds include “direct subsidy,” “low-income subsidy (premium portion),” “beneficiary premium (standard coverage portion),” “Part D payment demonstration” and “risk corridor payment adjustment.” The funds noted above

have a final policy amount that is calculated based on the loss experience of the insured during the term of the policy, therefore should be treated as such.

- c. Specific funds received as premiums for coverage that is not retrospectively rated should be accounted for under SSAP No. 54. These funds include “beneficiary premium (supplemental benefit portion)” as these payments are considered to be standard premium payments that do not meet the definitions under SSAP No. 47 or SSAP No. 66 as defined in paragraph 4.a. and paragraph 4.b. of this interpretation.

INT 05-05 Status

6. On August 4, 2018, the Statutory Accounting Principles (E) Working Group updated this interpretation to **add a description of the Coverage Gap Discount Program**, amend existing guidance on program payments and update definitions.

Appendix – Commonly Used Terms for Medicare Part D Coverage

Coverage Gap Discount Program – The federal Affordable Care Act amended the Health Care and Education Act of 2010 (H. R. 4872) (HCERA) in 2011 to establish a discount program that would make manufacturer discounts available to applicable Medicare beneficiaries receiving applicable covered Part D drugs while in the coverage gap. Part D sponsors must provide the discounts for the applicable drugs in the coverage gap at point-of-sale. CMS coordinates the collection of discount payments from manufacturers and payment to Part D sponsors that provided the discount to applicable beneficiaries through a contractor. The coordination involves a standard process for paying Part D sponsors based on new information submitted to CMS on prescription drug event data. The Coverage GAP Discount Program is reconciled quarterly.

Activity to Date (issues previously addressed by the Working Group, Emerging Accounting Issues (E) Working Group, SEC, FASB, other State Departments of Insurance or other NAIC groups): None

Information or issues (included in *Description of Issue*) not previously contemplated by the Working Group:
None

Convergence with International Financial Reporting Standards (IFRS): None

Staff Review Completed by: Robin Marcotte – NAIC staff, October 2025

Staff Recommendation: NAIC staff recommends that the Working Group move this item to the active listing, categorized as a SAP clarification, and expose revisions to *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage* to note the December 31, 2024, end of the Coverage Gap Discount Program and add relevant references to the CMS Manufacturer’s Discount Program. The revisions to INT 05-05 are shown as a separate attachment. The new Manufacturer’s Discount Program is also proposed to follow the guidance in *SSAP No. 47—Uninsured Plans*.

Status:

On December 9, 2025, the Statutory Accounting Principles (E) Working Group exposed revisions to *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage* to note the December 31, 2024, end of the Coverage Gap Discount Program and add relevant references to the CMS Manufacturer’s Discount Program which began in 2025.

On March 23, 2026, the Statutory Accounting Principles (E) Working Group adopted the exposed revisions to INT 05-05, as discussed above.

<https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/NationalMeetings/A.NationalMeetingMaterials/2026/03-23-26SpringNationalMeeting/Hearing/04-25-31-UpdateCoverageGapReference.docx>