

MEMORANDUM

TO: Anita G. Fox, Chair, Health Insurance and Managed Care (B) Committee
Grace Arnold, Co-Vice Chair, Health Insurance and Managed Care (B) Committee
Glen Mulready, Co-Vice Chair, Health Insurance and Managed Care (B) Committee
Steve Drutz, Chair, Health Risk-Based Capital (E) Working Group
Matthew Richard, Vice Chair, Health Risk-Based Capital (E) Working Group

FROM: Dale Bruggeman, Chair, Statutory Accounting Principles (E) Working Group
Kevin Clark, Vice Chair, Statutory Accounting Principles (E) Working Group

DATE: December 6, 2024

RE: Notice of Medicare Prescription Payment Plan Exposure

This memo is to provide notice of the Statutory Accounting Principles (E) Working Group's November 17, 2024 exposure of tentative interpretation (INT) 24-02: *Medicare Part D Prescription Payment Plans*.

INT 24-02 provides accounting and reporting guidance for the Medicare Part D prescription payment plans which allows Part D plan enrollees to opt into the installment payments program. This program requires the Part D Plan insurers to pay pharmacies for the out-of-pocket drug costs of enrollees and seek reimbursement from the enrollees over the plan year. The reimbursements to the Part D Plan insurers occur over an installment basis for the remaining plan year. So, if the costs were incurred in March, the plan would seek reimbursement over equal installments from the enrollees from April to December. This program is effective for 2025, and the Working Group will be working diligently to finalize accounting and reporting guidance.

The proposed guidance is detailed in the INT. Key points include recommending that the installment recoverables which are less than 90 days overdue be admitted and reported in the Healthcare and other amounts receivable reporting line, and that only impaired and written off recoverables be reported as Medicare Part D prescription claims.

INT 24-02 (attachment) is exposed until January 31, 2025. This exposure is also available on the Working Group's [webpage](#). In addition to the INT, the Working Group also directed development of disclosures and annual statement blanks proposals for future discussion to enable consistent reporting. Please reach out to NAIC staff Robin Marcotte (rmarcotte@naic.org) if you have any questions.

cc: Jolie Matthews, Jennifer Cook, Brian Webb, Maggie Chang, Derek Noe, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr, Wil Oden

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Interpretation of the Statutory Accounting Principles (E) Working Group

INT 24-02T: Medicare Part D Prescription Payment Plans

Drafting Note: Tracked changes reflect February 25, 2025, revisions from the November exposure which are exposed until March 5, 2025, to allow for 2025 Spring National Meeting discussion. Shaded revisions were primarily suggested by health industry trades are planned for Spring discussion.

INT 24-02T Dates Discussed

November 17, 2024; February 25, 2025; March 24, 2025

INT 24-02T References

Current:

- SSAP No. 47—Uninsured Plans
- SSAP No. 54—Individual and Group Accident and Health Contracts
- SSAP No. 66—Retrospectively Rated Contracts
- SSAP No. 84—Health Care and Government Insured Plan Receivables
- INT 05-05: Accounting for Revenues Under Medicare Part D Coverage

INT 24-024T Issue

1. The Inflation Reduction Act of 2022 introduced changes to Medicare Part D, which is the voluntary outpatient prescription drug program (Part D), including a new program to help offer Part D enrollees the option to pay manage their out-of-pocket Part D prescription drug costs through monthly payments over the course of the plan year instead of paying the full amount upfront at the pharmacy counter. This program, known as the Medicare Prescription Payment Plan (MP3MPPP), will become effective on January 1, 2025.

1.2. The purpose of this interpretation is to provide statutory accounting and reporting guidance for aspects of the MP3MPPP program. This interpretation specifically addresses the MP3MPPP components of Medicare Part D and does not intend to alter the guidance in *INT 05-05: Accounting for Revenues Under Medicare Part D Coverage*, which offers high-level accounting guidance on the current Medicare Part D program.

MP3MPPP Program Overview

3. MP3The MPPP is a new program that requires all Medicare prescription drug plans (Part D plans sponsors), including both standalone Medicare prescription drug plans and Medicare Advantage plans with prescription drug coverage, to offer its membersenrollees the option to pay their out-of-pocket prescription drug costs through monthly payments to the Part D plan sponsor over the remainder of the plan year, as opposed to paying the full amount upfront to the pharmacy.

2.4. Part D plan membersenrollees who elect to participate in the MP3MPPP (MP3MPPP enrolleesparticipants) will pay \$0 to the pharmacy for covered Part D drugs. TheInstead, the Part D plan sponsor is required to fully pay the pharmacy the total of an enrollee's-MPPP participant's applicable out-of-pocket amount and the Part D plan sponsor's portion of the payment in accordance with Part D prompt

payment requirements. Subsequently, the Part D plan sponsor will bill the ~~MP3MPPP participant enrollee~~ monthly for any cost-sharing incurred while enrolled in ~~the MP3MPPP~~.

~~5. MP3 enrollees MPPP participants~~ will not ~~save money reduce on the~~ total out-of-pocket costs ~~of for participants'~~ prescription drug purchases ~~for a plan year~~ ~~(there are other Part D programs in place to help qualifying Part D plan members with affordability issues)~~. ~~MP3~~The ~~MPPP~~ simply spreads ~~MPPP participants' out-of-pocket Part D costs into monthly~~ payments over the remaining term of the plan year which may help ~~many some Part D plan MPPP members participants~~ to better manage their monthly cash flow.

~~3.6. Unlike other existing aspects of Medicare Part D, programs~~ which involve funds due from the federal government (for which payment is effectively assured), ~~MP3MPPP~~ installment ~~balance~~ recoverables are due from individual ~~enrollees MPPP participants~~. Consequently, Part D plans may pay pharmacies for ~~MP3MPPP enrollees' participants'~~ out-of-pocket pharmacy claim costs, but some amounts billed to the ~~enrollee MPPP participants~~ might be uncollectible, ~~determined~~. ~~Reasons for the amount being uncollectible could include leaving enrollment in the Part D plan or an inability or unwillingness to pay the full outstanding balance. That could occur when an MPPP participant does not pay the full outstanding balance after the required grace period.~~ This raises statutory accounting concerns regarding potential nonadmittance of overdue amounts and impairment of ~~such unpaid outstanding~~ recoverables ~~from MPPP participants~~.

~~4.7. To help cover potential uncollectible balances, the Centers for Medicare and Medicaid Services (CMS) allows Part D plan sponsors to include an MP3 loss estimate for MPPP related losses in their premium plan bids. However, for the initial years, Part D plan sponsors have no lack directly relevant prior experience in estimating the MP3MPPP program's potential expenses for uncollectible amounts.~~

~~5.8. The government is responsible for the estimated MP3MPPP losses losses to the extent they are included in premium plan bids by Part D plan sponsors. Part D plan sponsors receive additional premium revenue from the government, which helps to cover uncollectible balances resulting from MP3MPPP enrollees participants. Part D plan sponsors face pricing/underwriting risk relating to the prescription needs of enrollees and may inaccurately estimate the amounts of uncollectible balances to include in losses in the premium plan bids. In addition, there are risks that the costs of uncollectible amounts and other aspects of implementing the payment plan MPPP will vary from amounts that had been factored into premium rates plan bids. According to CMS guidance any losses in excess of the loss estimates included in the premium bids are the responsibility of the Part D plan sponsor.~~

~~MP3MPPP~~ Program Requirements for Unpaid Balances

~~6.9. The MP3 Under the MPPP, Program requires~~ Part D plan sponsors ~~to~~ take on the risk ~~for of~~ uncollectible balances ~~not covered by the plan bid~~. The program rules prohibit ~~or limit~~ many of the common methods used to mitigate loss from uncollectible ~~MP3MPPP~~ balances. ~~MP3 is a mandated program benefit imposed by federal law and CMS rules, with different implications for statutory accounting purposes. Examples of such prohibitions or limitations Other key program requirements for MP3 balances~~ include the following:

- a. **Late Fees, Etc.** – Under ~~MP3~~the ~~MPPP~~, late fees, interest payments, or other fees, such as for different payment mechanisms, are not allowed.

- b. **Billing and Payment Procedures** – Part D plan sponsors can design their own billing and payment procedures for ~~MP3~~the MPPP. However, they must prioritize payments towards Part D plan premiums to avoid an enrollee losing their Part D coverage. This rule applies when it is unclear if an enrollee intended a submitted payment to cover their outstanding Part D plan premium or their ~~MP3~~MPPP balance.
- c. **Pharmacies Not Responsible for Balances** – Participation in ~~MP3~~the MPPP is considered an arrangement between the Part D plan sponsor and the ~~MP3 enrollee~~MPPP participant. Pharmacies are not responsible for ~~an enrollee’s unsettled losses attributed to the uncollectibility of MPPP participants’~~ balances or for collecting unpaid balances from the ~~MP3 enrollee~~MPPP participant on the Part D plan sponsor’s behalf.
- d. **Termination of Participation** – A Part D plan sponsor must terminate an enrollee’s participation in ~~MP3~~the MPPP if the enrollee fails to pay their monthly billed amount. An ~~MP3 enrollee~~MPPP participant will be considered to have failed to pay their monthly billed amount only after ~~the a~~ required grace period of at least two months. The Part D plan sponsor cannot terminate ~~the an~~ enrollee’s ~~membership in from~~ the Part D plan for nonpayment ~~of any~~ of their ~~MP3~~MPPP billed amounts. ~~Part D plan s~~Sponsors must continue billing amounts owed under the program in monthly amounts up to the maximum monthly cap based on the statutory formula for the remaining duration of the plan year after an enrollee has been terminated.
- e. **Reinstatement of Enrollees** - Part D plan sponsors must reinstate terminated ~~MP3 enrollees~~MPPP participants if the individual demonstrates good cause for failure to pay the program billed amount within the grace period and pays all overdue amounts billed.
- f. **Preclusion from Subsequent Enrollment** - A Part D plan sponsor may prevent an individual from opting in to the ~~MP3~~MPPP program in a subsequent year if the individual owes an overdue balance to that Part D plan sponsor or to another Part D plan sponsor with the same ~~ultimate~~ parent organization. In other words, an individual who owes an overdue MPPP balance ~~under the program to a Part D plan sponsor~~ cannot be barred from ~~enrolling in MP3~~the MPPP in a subsequent year ~~by through~~ a different Part D plan sponsor that does not have the same parent organization.
- g. **Compliance with Federal and State Laws** - Part D plan sponsors (and any third parties ~~that with whom~~ Part D plan sponsors contract) collecting unpaid balances related to the program must follow other applicable federal and state laws and requirements, including those related to ~~other types of~~ payment plans, credit reporting, and debt collection.

Medical Loss Ratio

7.10. The current Public Health Act outlines how to calculate medical loss ratio (MLR) rebates, which are generally based on a comparison of incurred health claims and quality improvement activities to premium revenue, considering various factors and adjustments, ~~as prescribed by CMS. SSAP No. 66— Retrospectively Rated Contracts~~ provides disclosures related to the MLR. ~~The CMS MLR requirements are separate from the statutory accounting reporting requirements for the MPPP. However, statutory accounting differences from CMS requirements which create the need for to reporting adjustments differences between them in the annual statement Supplemental Health Care Exhibit.~~

~~8.11.~~ According to the CMS guidance, the losses related to uncollectible MPPP participants' outstanding balances owed by MP3 enrollees are considered for MLR purposes as part of the Part D plan sponsor's administrative expenses. CMS guidance excludes unsettled losses attributed to uncollectible MPPP participants' balances from the numerator of the MLR calculation, aligning with this which is consistent with CMS' treatment in the MLR of other administrative expenses incurred by Part D sponsors. The CMS guidance states that ~~unsettled balances are~~ the additional premium revenue attributable to the estimates of MPPP uncollectible amounts included in the Part D plan sponsor plan bids are included in the MLR calculation denominator ~~and allows Part D sponsors to account for these balances as losses in their premium bids. The inclusion of including enrollee losses the additional premium revenue in the denominator aligns with reporting the revenue estimated to offsets these losses also captured in the MLR denominator.~~

Drafting Note: The MP3MPPP program considers uncollectible MP3-recoverables from MPPP participants as incurred plan administrative costs and does not include these amounts in the MLR numerator, so reporting guidance for other adjustments to the Supplemental Health Care Exhibit will be needed. Such reporting revisions are not addressed in this interpretation but would be anticipated to be in the annual statement reporting revisions submitted to the Blanks (E) Working Group.

INT 24-02T Discussion

Statutory Accounting and Reporting Considerations for MP3MPPP

~~9.12.~~ The Working Group reached the following tentative consensus for MP3MPPP statutory accounting and reporting guidance. In addition, Appendix 1 illustrates some basic journal entries which help to show the intended financial statement results.

MP3-Recoverables from MPPP Participants

~~10.13.~~ MP3 Rrecoverables from MPPP participants enrollees shall be accrued and reported as an asset on the asset-asset page in the line-24, for Health care and other amounts receivable, when the related payment is made by the Part D plan sponsor to the pharmacy for the out-of-pocket payment costs is incurred on behalf of the MPPP participant.

~~11.14.~~ Current MP3MPPP recoverables from MPPP participants, meaning those that are less than and up to 90 days overdue, are admitted assets to the extent that they comply with the guidance in this interpretation. ~~Repayment by MP3 enrollees MPPP participants represents a probable future economic benefit to the Part D plan sponsor resulting from past transactions or events (i.e., paying the MP3 enrollee's MPPP participants out-of-pocket costs to the pharmacy).~~ MP3 Rrecoverables from MPPP participants are also subject to impairment analysis.

~~12.15.~~ Uncollected MP3MPPP recoverables more than 90 days overdue are nonadmitted. The due date for aging of the MP3MPPP recoverables shall follow the program billing guidelines.

~~13.16.~~ If an MP3 recoverable from an MPPP participant is fully collected, it will the amounts received by the Part D plan sponsor will equal the corresponding out-of-pocket payment it made for a pharmaceutical claim ~~payment~~. In those cases, there will not be an income statement impact regarding claims (or claims adjusting expenses) ~~if the MP3MPPP recoverable is fully collected.~~

Impairments

~~14.17.~~ Uncollected ~~MP3~~ recoverables from ~~enrollees-MPPP participants~~ are subject to ~~an~~ impairment analysis which shall be assessed using the evaluation guidelines in *SSAP No. 5—Liabilities, Contingencies, and Impairment of Assets*. However, when ~~impairments for~~ uncollectible ~~MP3~~ recoverables ~~from MPPP participants~~ are ~~recorded~~ written off, the expense ~~for the impairment~~ shall be reflected ~~in~~ as ~~an~~ incurred Medicare Part D prescription drug claims in the statutory income statement.

Out-of-Pocket ~~MP3~~MPPP Pharmacy Payments

~~15.18.~~ When the Part D plan ~~sponsor~~ pays out-of-pocket drug claims to the pharmacy, a claims expense, a contra claims expense, and a contra claims expense account recoverable are recorded. The contra claims expense, or similar mechanism, is recorded to prevent initial claims expense recognition in the income statement so there is zero initial impact to the income statement. This is because there is an amount recoverable from the ~~enrollee~~MPPP participant, and to the extent that the ~~enrollee-MPPP participant~~ pays in full, there should not be any claims recognition. This is analogous to the handling of anticipated pharmaceutical rebates or anticipated subrogation recoveries.

~~16.19.~~ If the ~~enrollee-MPPP participant~~ pays the amount due in full, there will be no income statement impact in claims expenses ~~resulting~~ from the ~~Part D plan sponsor's payment of the MP3MPPP participants out-of-pocket costs to the pharmacy.~~ This is because the MPPP participant's ~~payment and enrollee~~ subsequent ~~monthly~~ payments to the Part D plan sponsor have fully offset the initial pharmacy ~~payments~~. In such cases, the ~~MP3MPPP~~ recoverable will be reduced as payments are collected and there would be no income statement impact.

~~17.20.~~ If the ~~MPPP participant's-enrollee balance-recoverable~~ is not repaid in whole or in part, there will be an income statement impact to reflect ~~the paid amount in claims expense~~ for the ~~amount of the uncollectible MP3MPPP recoverable balances that are which have~~ ~~been evaluated for as impaired~~ ~~impairment~~ and written off. Since there is an ~~MP3~~ recoverable from the ~~enrollee~~MPPP participant there should be no income statement amount for an incurred claim until the related ~~MP3MPPP~~ recoverable is written off ~~as uncollectible based on~~ ~~for~~ impairment ~~analysis~~.

~~18.21.~~ When the ~~MP3~~ recoverable ~~from the MPPP participant~~ is ~~evaluated for as~~ ~~impairment~~ed, the contra claims expense is decreased by the amount of the ~~MP3MPPP~~ recoverable that is written off. This results in the incurred Medicare prescription claim reported reflecting the uncollectible ~~MP3~~ recoverable ~~from MPPP participants~~ for statutory reporting. The premium to offset these claims is included in Medicare premium bids, so reporting the ~~incurred~~ uncollectible ~~MP3MPPP~~ amounts as losses allows the statutory accounting loss ratio to reflect incurred Medicare Part D prescription costs, ~~including the which include MP3MPPP uncollectible amounts which have been impaired and written off.~~

~~19.~~ Reporting uncollectible and impaired ~~MP3~~ recoverables in statutory filings as claims incurred is different than the CMS treatment of which reports such amounts as administrative expense for MLR purposes.

Administrative Costs

~~20.22.~~ Other ~~c~~Costs, e.g., those incurred by Part D plan sponsors in ~~of~~ implementing the ~~MP3~~and administering the MPPP program and ~~program~~related collections, are included in the administrative expenses of the Part D plan ~~sponsor~~ and are not included in the claim expenses or claim adjustment expenses.

MLR Reporting Difference

~~21.23.~~ Note that the statutory reporting of the ~~uncollectible~~ written off (impaired)-~~MP3~~ recoverable from MPPP participants in Medicare prescription claims is different from CMS treatment of such amounts in the MLR. The CMS requires Part D plan sponsors to report losses from impairment write-offs ~~treatment~~ of uncollectible-~~MP3~~ recoverables from MPPP participants ~~reports such amounts~~ as administrative amounts and, thus, such losses are excluded from the numerator in the CMS MLR. For loss ratios determined under statutory accounting, and pursuant to the guidance in this INT 24-02, such amounts are reported as claims expense and included in the numerator of the loss ratio. ~~These administrative amounts are included in the denominator of the MLR by CMS.~~

INT 24-02T Status

~~22.24.~~ This interpretation is tentatively effective March 30, 2025.

~~23.25.~~ Further discussion is planned.

Appendix 1 - Illustrative Journal Entries

INT 24-02

| Medicare Prescription Payment Plan Scenarios | | | |
|---|------------|------------|------------|
| | | | |
| | Claims | Receivable | Cash |
| Initial entries for all scenarios <i>Assumed to have been recorded by the insurance companyPart D plan sponsor prior to Scenarios 1 – 3.</i> | | | |
| | | | |
| DR Claims Expense <i>To represent claims expenses incurred on behalf of the enrolleeMPPP participant.</i> | \$ 2,000 | | |
| CR Cash <i>To represent the \$2,000 paid by the insurance companyPart D plan sponsor to the pharmacy on behalf of the enrolleeMPPP participant.</i> | | | \$ (2,000) |
| | | | |
| DR Healthcare Receivable <i>To represent the amount due to the insurance companyPart D plan sponsor from the enrolleeMPPP participant, which the enrolleeMPPP participant must pay over the policy term.</i> | | \$ 2,000 | |
| CR Claims A/R (contra-claims expense) <i>To be reported within the claims expense line, essentially a contra-claims expense, and represents the amount due to the insurance companyPart D plan sponsor from the enrolleeMPPP participant which the enrolleeMPPP participant must pay over the policy term. This offsets the claims expense amount, so results in a current net \$0 impact toon the income statement, but both the DR and CR on the income statement are in claims expense.</i> | \$ (2,000) | | |
| | | | |
| Scenario 1 - The enrolleeMPPP participant pays their full amount of \$2,000 to the insurance companyPart D plan sponsor. | | | |
| | | | |
| DR Cash <i>To record receipt of the enrolleeMPPP participant's payment in full.</i> | | | \$ 2,000 |
| CR Healthcare Receivable <i>The net income statement impact remains at \$0, because the original claims expense was offset by the contra-claims expense (Claims A/R), and since the full \$2,000 was received from the enrolleeMPPP participant, there are no further income statement journal entry impacts.</i> | | \$ (2,000) | |
| | | | |
| Scenario 1 Net result on Financial Statements | \$ - | \$ - | \$ - |
| | | | |
| Scenario 2 -- The enrolleeMPPP participant pays \$1,500 out of the \$2,000 to the insurance companyPart D plan sponsor and doesn'tdoes not pay the remaining \$500. | | | |
| DR Cash | | | \$ 1,500 |

| | | | |
|--|-----------------|-------------|-------------------|
| To record receipt of enrolleeMPPP participant partial payment of outstanding balance. | | | |
| CR Healthcare receivable To reduce enrolleeMPPP participant receivable for amounts paid. | | \$ (1,500) | |
| DR Claims A/R (contra-claims expense) To represent the write-off of the receivable. This results in the insurance companyPart D plan sponsor having a total income statement impact debit to claims expense of \$500, represented as the initial \$2,000 claims expense for the out-of-pocket- paid to the pharmacy by the insurance companyPart D plan sponsor , offset by the \$1,500 received from the enrolleeMPPP participant . | \$ (500) | | |
| CR Healthcare receivable To write-off the remaining uncollectible amount as impaired | | \$ (500) | |
| | | | |
| Scenario 2 Net result on Financial Statements | \$ 500 | \$ | \$ (500) |
| | | | |
| | | | |
| Scenario 3 - The enrolleeMPPP participant does not pay any of the \$2,000 owed to the insurance companyPart D plan sponsor. | | | |
| DR Claims A/R (contra-claims expense) To represent the write-off of the amount anticipated to be paid by the enrolleeMPPP participant . This results in the income statement impact to the insurance companyPart D plan sponsor being a debit of \$2,000, for the amount paid to the pharmacy by the insurance companyPart D plan sponsor and not reimbursed by the enrolleeMPPP participant . | \$ 2,000 | | |
| CR Healthcare receivable To represent the write-off of the \$2000 receivable. | | \$ (2,000) | |
| | | | |
| Scenario 3 Net result on Financial Statements | \$ 2,000 | \$ - | \$ (2,000) |