Centers for Medicare & Medicaid Services

Module 06: Calculating and Reporting LICS

2025 Prescription Drug Event (PDE) Participant Guide

Version 1.0

07/17/2025

Table of Contents

List of Tables

1. Purpose

The Medicare Modernization Act (MMA) amended the Social Security Act (the Act) to provide for Medicare payments to plans to subsidize the cost-sharing liability for covered Part D drugs purchased by qualifying Low-Income Subsidy (LIS) beneficiaries. This module describes the Low-Income Cost-Sharing Subsidy Amount (LICS) and the process for calculating and reporting LICS via Prescription Drug Event (PDE) record submissions.

2. Objective

The information contained within this module applies to benefit years 2025 and forward. For benefit years prior to 2025, refer to the 2011 PDE Participant Guide located on the Customer Service and Support Center (CSSC) Website.

The information provided in this module will help participants to:

- Define LICS.
- Determine how to administer the Part D benefit by determining whether any LICS applies to a given prescription event and the appropriate amount of cost-sharing due from an LIS beneficiary.
- Calculate the LICS amount on the PDE.
- Identify the data fields required to report LICS.
- Explain how LICS affects True Out-of-Pocket costs (TrOOP).

3. The Low-Income Cost-Sharing Subsidy Amount

The MMA provides for Medicare payment to plans to subsidize cost-sharing for the covered Part D drugs of beneficiaries with limited resources as defined by certain Federal Poverty Level (FPL) standards and asset limits. The federal government pays some or all of the Part D cost-sharing of qualifying beneficiaries. The MMA provides two types of LIS subsidies: premium assistance and cost-sharing assistance. Premium subsidies are taken into account using other data streams and do not impose any PDE data reporting requirements on plans. However, cost-sharing assistance is documented and reconciled using PDE data and is referred to as LICS.

Effective January 1, 2024, Section 11404 of the Inflation Reduction Act (IRA) expanded eligibility of the full LIS group to beneficiaries with incomes up to 150% of the FPL and who meet the statutory resource requirements. Beneficiaries who previously met the resource requirement for the partial LIS group will now be eligible for the full LIS benefit.

Effective January 1, 2025, under the Manufacturer Discount Program (MDP), once a beneficiary incurs costs exceeding the annual Defined Standard (DS) deductible specified in section 1860D-2(b)(1) of the Act, manufacturer discounts are available in both the Initial Coverage and Catastrophic Phases of the benefit. These discounts are available regardless of whether the Part D beneficiary is entitled to LIS, and discounts do not count toward the beneficiary's incurred costs.

Accurate PDE reporting begins with accurate benefit administration and determining accurate cost-sharing is an integral part of Part D benefit administration. First, the plan calculates the amount the LIS beneficiary pays at point of sale (POS). Then, the plan calculates LICS, which is the amount the plan reduces the cost-sharing that would have otherwise been imposed under the plan. Plans administer the benefit for LIS beneficiaries by calculating both the amount the LIS beneficiary pays and the LICS amount and reports these results in discrete PDE fields.

When the cost-sharing subsidy applies, the plan advances it on behalf of the government. Therefore, the Centers for Medicare & Medicaid Services (CMS) makes prospective payments to plans to cover anticipated LICS that plans will pay. Plans then report the cost-sharing subsidy they pay on behalf of beneficiaries to CMS on PDE records. After the end of the coverage year, CMS reconciles the actual payments from PDE records with the prospective payments made to plans.

The following rules for calculating and reporting LICS remain constant:

- LICS only applies to covered Part D drugs and cannot be reported for non-covered drugs; the LIS beneficiary pays the same cost-sharing for non-covered drugs as any other beneficiary under their benefit package.
- LICS always counts towards TrOOP.
- When the cost-sharing for a non-LIS beneficiary under the plan is less than the statutory maximum LIS cost-sharing, the LIS beneficiary pays the lesser amount.
- Supplemental benefits provided under the plan benefit package (PBP) are always applied before LICS is calculated.
- LICS rules apply to LIS beneficiaries in both basic and enhanced plans.

Plans will adjudicate claims and report PDEs in accordance with the category of assistance for which the beneficiary is eligible. Table 1 outlines the eligibility requirements and maximum cost-sharing for LIS beneficiaries for coverage year 2025.

Note: All examples in this module reflect the maximum cost-sharing for LIS beneficiaries for Calendar Year (CY) 2025 as illustrated below in Table 1.

Table 1: 2025 LIS Categories

Category Code	Income Category	Maximum LIS Beneficiary Cost-Sharing: Below the OOP Threshold	Maximum LIS Beneficiary Cost-Sharing: Catastrophic Phase
1	Non-institutionalized FBDE beneficiaries with incomes between 100% and 150% of FPL and full-subsidy-non-FBDE beneficiaries.	$4.90 – Generic/Preferred Multi-Source Drug $12.15 - Other	$0.00
2	Non-institutionalized FBDE beneficiaries with incomes up to 100% of the FPL.	$1.60 – Generic/Preferred Multi-Source Drug $4.80 - Other	$0.00
3	FBDE beneficiaries who are institutionalized or would be institutionalized if they were not receiving home and community-based services.	$0.00	$0.00

Note: FBDE (Full-Benefit Dual-Eligible)

Definition: “Lesser of" test: For all LIS categories, if the applicable LIS beneficiary cost-sharing amount is greater than the non-LIS beneficiary cost-sharing amount that would be due under the PBP (standard or enhanced), the beneficiary is only responsible for the non-LIS cost-sharing amount (the lesser amount). The “lesser of” test is used to determine all LIS beneficiary copays and coinsurances. See 42 CFR § 423.782(a)(2)(iii).

Definition: The maximum Low-Income (LI) copayment (up to the Out-of-Pocket (OOP) threshold) for a generic drug (defined at 42 CFR § 423.4) is the same copayment for biological products for which an application under section 351(k) of the Public Health Service Act (42 U.S.C. 262(k)) is approved and preferred drugs that are multiple source drugs (as defined in section 1927(k)(7)(A)(i) of the Act).

Definition: An FBDE beneficiary is an individual who has prescription drug coverage for the month under a Prescription Drug Plan (PDP) or Medicare Advantage Prescription Drug (MA-PD) plan and is determined eligible by the state for medical assistance under Title XIX of the Act.

Definition: An institutionalized beneficiary is an FBDE individual who is an inpatient in a medical institution or nursing facility for whom payment is made under Medicaid for a month. When an individual enters such an institution, community copay levels apply until the beneficiary has spent a continuous, full calendar month in the institution. The zero cost-sharing provision only applies after a continuous stay of one calendar month.

The categories in Table 1 apply to all LIS beneficiaries except for beneficiaries residing in the U.S. territories to whom different financial assistance with prescription drug expenses may apply. See section 1860D-14(a)(3)(F) of the Act. In addition, calculations of LICS for Programs of All-Inclusive Care for the Elderly (PACE) organizations are unique (for additional information on calculating and reporting PDEs for PACE enrollees, refer to Module 08: PACE).

4. Calculating Low-Income Cost-Sharing Subsidy Amount

Plans report the amount of LI cost-sharing subsidy in the LICS field on the PDE. Understanding how to populate this field will ensure accurate reporting and payment of LICS. This section illustrates how to calculate the amount of cost-sharing due from an LIS beneficiary and the amount of subsidy to report in the LICS field.

The steps to populate the PDE fields on a Part D claim are documented in Module 04: Calculating and Reporting the Basic Benefit. Additional steps are required to calculate and report PDEs with LICS.

Plans will populate the LICS field with the amount they pay the pharmacy at POS for an eligible beneficiary's cost-sharing.

LICS formula:

- When non-LIS beneficiary cost-sharing > LIS beneficiary cost-sharing, then LICS = non-LIS beneficiary cost-sharing – LIS beneficiary cost-sharing.
- When non-LIS beneficiary cost-sharing ≤ LIS beneficiary cost-sharing, then the non-LIS cost-sharing is applied to the LIS beneficiary and LICS = $0.00.

This formula applies throughout all phases of the benefit and is referred to as the **LICS formula**. The non-LIS cost-sharing is the amount due from a non-LIS beneficiary for a given event under the PBP. The LIS cost-sharing is the maximum allowable amount due under the Act from an LIS beneficiary or, if less, the cost-sharing under the PBP for that same dispensing event. In the LICS field, plans report the difference between the non-LIS and LIS cost-sharing, which is the amount advanced by the plan at POS and ultimately subsidized by CMS. Therefore, the LICS amount represents the amount by which cost-sharing was reduced due to the LICS payment advanced by the plan.

If a beneficiary has other health insurance (OHI), whether TrOOP-eligible or not, this formula must use cost-sharing amounts as calculated **BEFORE** any wrap-around coverage is applied.

However, this rule does not apply when Medicare is not the primary payer (i.e., a Medicare as Secondary Payer (MSP) PDE).

Note: The calculation of LICS for PACE organizations differs from the LICS formula. For additional information on calculating and reporting PDEs for PACE enrollees, refer to Module 08: PACE.

To illustrate LICS calculations for the three LIS categories, assume a given scenario and calculate LICS for each category under that scenario. For example:

- LIS beneficiaries are enrolled in a DS plan with 25% coinsurance in the ICP. Year-to-Date (YTD) Gross Covered Drug Costs = $1,500.00 and YTD TrOOP costs = $817.50, which places each beneficiary in the ICP. Each beneficiary purchases a covered Part D non-applicable drug for $100.00.

Table 2 shows the result when the plan follows four steps to accurately calculate LICS and determine the amounts needed to populate the PDE record fields:

1. Calculate the non-LIS cost-sharing amount (column C) and the Covered D Plan Paid Amount (CPP) (column G) according to the benefit phase the beneficiary is in. Calculate both amounts as though the beneficiary **were not eligible** for LIS and had no other source of coverage. Cost-sharing and plan payment amounts often vary per benefit phase, so the plan must apply total incurred TrOOP to the plan's benefit structure to determine which benefit phase the beneficiary is in.
2. Using Table 2, determine the LIS beneficiary's maximum cost-sharing amount (column D) that corresponds to the category of assistance for which the beneficiary is eligible (column A).
3. Using Table 2, perform the "lesser of" test by comparing the amount of non-LIS cost-sharing (column C) to the amount of LIS cost-sharing (column D)**.** The lesser of these two amounts is the beneficiary liability, reported in the Patient Pay Amount field (column E).
4. Using the LICS formula, calculate the difference between the non-LIS beneficiary cost-sharing (column C) and the LIS beneficiary cost-sharing Patient Pay Amount (column E). This amount represents the amount of subsidy advanced by the plan at POS and is reported as LICS (column F) on the PDE record. TrOOP (column H) increases by the amounts in the Patient Pay Amount and LICS fields (columns E and F).

Table 2: Sample LICS Values for CY 2025

A LIS Category	B Gross Covered Drug Cost	C Non-LIS Cost Share (Step 1)	D LIS Cost Share (Step 2)	E Patient Pay Amount	F LICS (C – E*)	G CPP	H TrOOP (E + F)
Category 1	$100.00	$25.00	$4.90	$4.90	$20.10	$75.00	$25.00
Category 2	$100.00	$25.00	$1.60	$1.60	$23.40	$75.00	$25.00
Category 3	$100.00	$25.00	$0.00	$0.00	$25.00	$75.00	$25.00

*The Patient Pay Amount must be the Patient Pay Amount as calculated on the initial claim, without subtracting any Patient Liability Reduction Due to Other Payer Amount (PLRO) or Other TrOOP Amount. In other words, OHI payments, which are typically reported in Other TrOOP Amount or PLRO, only reduce the beneficiary liability; OHI payments do not reduce LICS.

Note: When a plan reports dollars in the LICS field, the Drug Data Processing System (DDPS) validates the beneficiary's LIS status and category against the Medicare Beneficiary Database (MBD). Then DDPS compares the maximum cost-sharing allowed for the beneficiary's LIS category to the dollars reported in the three beneficiary liability fields (Patient Pay Amount, Other TrOOP Amount, and PLRO). DDPS rejects records when the sum of amounts in these three fields exceeds the maximum allowed LIS beneficiary cost-sharing.

5. Populating the PDE Record for LIS Beneficiaries

This section provides several examples of populating a PDE record for LIS beneficiaries for CY 2025. Note that LICS is a TrOOP-eligible field and will, therefore, move the beneficiary through the Part D benefit phases (see Module 05: Calculating and Reporting TrOOP). Examples 5.2, 5.4, and 5.5 were taken directly from the Prescription Drug Event Record Reporting Instructions for the Implementation of the Inflation Reduction Act for Contract Year 2025 (April 15, 2024).

5.1 DS Plan - Deductible Phase to ICP for an LIS Beneficiary (Applicable Drug)

This example demonstrates how to report a PDE when a purchase of a $300.00 covered Part D applicable drug moves an LIS category 1 beneficiary, who is in a DS plan, from the Deductible Phase to the ICP. When the claim adjudication begins, the Total Gross Covered Drug Cost (TGCDC) Accumulator is $560.00, and the TrOOP Accumulator is $560.00. Because the beneficiary meets the DS deductible midway through the processing of this claim, the beginning benefit phase is the Deductible Phase, and the ending benefit phase is the ICP. The remaining TrOOP amount required for the beneficiary to meet the definition of an applicable beneficiary and be eligible for the MDP is calculated by subtracting the TrOOP Accumulator from the DS deductible amount and is $30.00 ($590.00 - $560.00).

To determine the beneficiary liability and LICS amount, the non-LIS beneficiary cost-sharing is compared to the LIS category 1 statutory cost-sharing amount. The non-LIS beneficiary pays 100% of the drug cost until the DS deductible is met ($30.00 * 1.00 = $30.00) plus 25% coinsurance in the ICP ($270.00 * 0.25 = $67.50), which equals $97.50. The LIS category 1 statutory cost-sharing amount is $12.15. Because the LIS statutory cost-sharing amount is less than the non-LIS beneficiary cost-sharing amount, the beneficiary pays $12.15. LICS is calculated as the difference between the non-LIS and LIS beneficiary cost-sharing amounts ($97.50 - $12.15 = $85.35).

The Delta TrOOP on this claim is equal to $97.50, which exceeds the $30.00 of remaining TrOOP required for the beneficiary to be eligible for the MDP. The manufacturer discount is 10% of the drug cost falling in the ICP ($270.00 * 0.10 = $27.00), the Patient Pay Amount is $12.15, and CPP is 0% of the drug costs in the Deductible Phase ($30.00 * 0.00 = $0.00) plus 65% of drug costs in the ICP ($270.00 * 0.65 = $175.50), which equals $175.50.

After the claim is processed, the TGCDC Accumulator increases by $300.00, and the TrOOP Accumulator increases by $97.50. Table 3 illustrates how the Part D sponsor would populate the PDE record.

Table 3: DS Plan - Deductible Phase to ICP for an LIS Beneficiary (Applicable Drug)

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	$300.00

PDE Field	Value
Dispensing Fee Paid	$0.00
Total Amount Attributed to Sales Tax	$0.00
Vaccine Administration Fee or Additional Dispensing Fee	$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	$300.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$12.15
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$85.35
Patient Liability Reduction Due to Other Payer Amount (PLRO)	$0.00
Covered D Plan Paid Amount (CPP)	$175.50
Non Covered Plan Paid Amount (NPP)	$0.00
Reported Manufacturer Discount	$27.00
Total Gross Covered Drug Cost Accumulator	$560.00
True Out-of-Pocket Accumulator	$560.00
Beginning Benefit Phase	D
Ending Benefit Phase	N

5.2 DS Plan - ICP for an LIS Beneficiary (MDP Phase-In Eligible Applicable Drug)

This example demonstrates how to report a PDE for an LIS category 2 beneficiary in a DS plan that purchases a $300.00 covered Part D MDP phase-in eligible applicable drug. When the claim adjudication begins, the TGCDC Accumulator is $850.00, and the TrOOP Accumulator is $655.00. The beneficiary is in the ICP of the benefit (TrOOP Accumulator ≥ $590.00 and TrOOP Accumulator + Delta TrOOP < $2,000.00); the ICP is the beginning and ending benefit phase.

In the ICP, because this is a drug eligible for the MDP phase-in in CY 2025, the manufacturer discount is 1% of the total drug cost ($300.00 * 0.01 = $3.00) in 2025. To determine the beneficiary liability and LICS amount, the non-LIS beneficiary cost-sharing ($300.00 * 0.25 = $75.00) is compared to the LIS category 2 statutory cost-sharing amount ($4.80). Because the LIS statutory cost-sharing amount is less than the non-LIS beneficiary cost-sharing amount, the beneficiary pays $4.80. LICS is calculated as the difference between the non-LIS and LIS beneficiary cost-sharing amounts ($75.00 - $4.80 = $70.20). Because this is a drug eligible for the MDP phase-in in CY 2025, under the DS benefit, CPP is 74% of the total drug cost ($300.00 * 0.74 = $222.00).

After the claim is processed, the TGCDC Accumulator increases by $300.00, and the TrOOP Accumulator increases by $75.00. Table 4 illustrates how the Part D sponsor would populate the PDE record.

Table 4: DS Plan - ICP for an LIS Beneficiary (MDP Phase-In Eligible Applicable Drug)

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	$300.00
Dispensing Fee Paid	$0.00

PDE Field	Value
Total Amount Attributed to Sales Tax	$0.00
Vaccine Administration Fee or Additional Dispensing Fee	$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	$300.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$4.80
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$70.20
Patient Liability Reduction Due to Other Payer Amount (PLRO)	$0.00
Covered D Plan Paid Amount (CPP)	$222.00
Non Covered Plan Paid Amount (NPP)	$0.00
Reported Manufacturer Discount	$3.00
Total Gross Covered Drug Cost Accumulator	$850.00
True Out-of-Pocket Accumulator	$655.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

5.3 DS Plan - ICP to Catastrophic Phase for an LIS Beneficiary (Applicable Drug)

This example demonstrates how to report a PDE when the purchase of a $400.00 covered Part D applicable drug moves an LIS category 2 beneficiary in a DS plan from the ICP to the Catastrophic Phase. When the claim adjudication begins, the TGCDC Accumulator is $5,990.00, and the TrOOP Accumulator is $1,940.00. Because the beneficiary meets the annual OOP threshold midway through the processing of this claim, the beginning benefit phase is the ICP, and the ending benefit phase is the Catastrophic Phase. The TrOOP amount remaining in the ICP is $60.00 ($2,000.00 - $1,940.00). When a claim begins in the ICP, the following formula can be used to determine the drug cost remaining in the ICP:

Remaining TrOOP Amount / TrOOP-eligible cost-sharing percentage in the ICP

On this PDE, using the formula above to calculate the drug cost remaining in the ICP based on the amount of TrOOP remaining ($60.00 / 0.25) yields $240.00 and is reported as Gross Drug Cost Below Out-of-Pocket Threshold (GDCB). The remaining drug cost of $160.00 falls in the Catastrophic Phase and is reported as Gross Drug Cost Above Out-of-Pocket Threshold (GDCA).

The manufacturer discount is 10% of the drug cost falling in the ICP ($240.00 * 10% = $24.00) plus 20% of the drug cost falling in the Catastrophic Phase ($160.00 * 0.20 = $32.00), which equals $56.00.To determine the beneficiary liability and LICS amount, the non-LIS beneficiary cost-sharing is compared to the LIS category 2 statutory cost-sharing amount. The non-LIS beneficiary pays 25% coinsurance in the ICP ($240.00 * 0.25 = $60.00) and 0% coinsurance in the Catastrophic Phase ($160.00 * 0.00 = $ 0.00), which equals $60.00. The LIS category 2 statutory cost-sharing amount is $4.80. Because the LIS statutory cost-sharing amount is less than the non-LIS beneficiary cost-sharing amount, the beneficiary pays $4.80. LICS is calculated as the difference between the non-LIS and LIS beneficiary cost-sharing amounts ($60.00 - $4.80 = $55.20). CPP is 65% of drug costs in the ICP ($240.00 * 0.65 = $156.00) plus

80% of drug costs falling in the Catastrophic Phase ($160.00 * 0.80 = $128.00), which equals $284.00.

After the claim is processed, the TGCDC Accumulator increases by $400.00, and the TrOOP Accumulator increases by $60.00. Table 5 illustrates how the Part D sponsor would populate the PDE record.

Table 5: DS Plan - ICP to Catastrophic Phase for an LIS Beneficiary (Applicable Drug)

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	$400.00
Dispensing Fee Paid	$0.00
Total Amount Attributed to Sales Tax	$0.00
Vaccine Administration Fee or Additional Dispensing Fee	$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	$240.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	$160.00
Patient Pay Amount	$4.80
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$55.20
Patient Liability Reduction Due to Other Payer Amount (PLRO)	$0.00
Covered D Plan Paid Amount (CPP)	$284.00
Non Covered Plan Paid Amount (NPP)	$0.00
Reported Manufacturer Discount	$56.00
Total Gross Covered Drug Cost Accumulator	$5,990.00
True Out-of-Pocket Accumulator	$1,940.00
Beginning Benefit Phase	N
Ending Benefit Phase	C

5.4 Enhanced Alternative (EA) Plan - ICP where the EA Plan's Beneficiary Cost-Sharing Exceeds the DS Beneficiary Cost-Sharing for an LIS Beneficiary (Applicable Drug)

This example demonstrates how to report a PDE for a category 1 LIS beneficiary in an EA plan that purchases a $100.00 covered Part D applicable drug and the cost-sharing under the EA plan's benefit design exceeds the cost-sharing under the DS benefit. When the claim adjudication begins, the TGCDC Accumulator is $1,200.00, and the TrOOP Accumulator is $675.00. The beneficiary is in the ICP of the benefit (TrOOP Accumulator ≥ $590.00 and TrOOP Accumulator + Delta TrOOP < $2,000.00); the ICP is the beginning and ending benefit phase. The EA plan has a $30.00 copay in the ICP for this drug.

In the ICP, the manufacturer discount is 10% of the total drug cost ($100.00 * 0.10 = $10.00). To determine the beneficiary liability and LICS amount, the non-LIS beneficiary cost-sharing ($30.00) is compared to the LIS statutory cost-sharing amount ($12.15). Because the LIS statutory cost-sharing amount is less than the non-LIS beneficiary cost-sharing amount, the beneficiary pays $12.15. LICS is calculated as the difference between the non-LIS and LIS beneficiary cost-sharing amounts ($30.00 - $12.15 = $17.85). CPP is mapped to the DS benefit

($100.00 * 0.65 = $65.00). Non Covered Plan Paid Amount (NPP) is calculated as the total drug cost minus manufacturer discount, patient pay amount, LICS, and CPP ($100.00 - $10.00 - $12.15 - $17.85 - $65.00), which equals -$5.00.

After the claim is processed, the TGCDC Accumulator increases by $100.00, and the TrOOP Accumulator increases by $30.00 (although NPP is a TrOOP-eligible field, negative NPP is not counted against TrOOP accumulation). Table 6 illustrates how the Part D sponsor would populate the PDE record.

Note: Refer to Module 07: Calculating and Reporting the Enhanced Alternative Benefit for further information related to calculating and reporting negative NPP.

Table 6: EA Plan - ICP where the EA Plan's Beneficiary Cost-Sharing exceeds the DS Beneficiary Cost-Sharing for an LIS Beneficiary (Applicable Drug)

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	$100.00
Dispensing Fee Paid	$0.00
Total Amount Attributed to Sales Tax	$0.00
Vaccine Administration Fee or Additional Dispensing Fee	$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$12.15
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$17.85
Patient Liability Reduction Due to Other Payer Amount (PLRO)	$0.00
Covered D Plan Paid Amount (CPP)	$65.00
Non Covered Plan Paid Amount (NPP)	-$5.00
Reported Manufacturer Discount	$10.00
Total Gross Covered Drug Cost Accumulator	$1,200.00
True Out-of-Pocket Accumulator	$675.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

5.5 Employer Group Waiver Plan (EGWP) – LIS Beneficiary in the ICP where the EGWP OHI has greater Beneficiary Cost-Sharing than the DS Benefit and the DS Benefit is Applied (Applicable Drug)

This example demonstrates how to report a PDE for an LIS category 2 beneficiary, who is enrolled in an EGWP, that purchases a $100.00 covered Part D applicable drug where the EGWP OHI beneficiary cost-sharing exceeds the beneficiary cost-sharing under the DS benefit. When the claim adjudication begins, the TGCDC Accumulator is $1,200.00, and the TrOOP Accumulator is $675.00. The beneficiary is in the ICP of the DS benefit (TrOOP Accumulator ≥ $590.00 and TrOOP Accumulator + Delta TrOOP < $2,000.00); the ICP is the beginning and ending benefit phase. Under the EGWP OHI, the beneficiary has a $30.00 copay for this drug. An LIS category 2 beneficiary has a $4.80 copay.

In the ICP, the manufacturer discount is 10% of the total drug cost ($100.00 * 0.10 = $10.00). To determine the LICS amount for an EGWP, the LIS statutory cost-sharing amount ($4.80) is subtracted from the DS non-LIS beneficiary cost-sharing amount ($100.00 * 0.25 = $25.00), which equals $20.20 ($25.00 - $4.80). The plan applies the DS LIS beneficiary cost-sharing, which is equal to the LIS category 2 statutory copay, and the beneficiary pays $4.80.

Because the DS plan liability is 65% in the ICP ($100.00 * 0.65), CPP is $65.00. NPP is calculated as the total drug cost minus manufacturer discount, patient pay amount, LICS and CPP ($100.00 - $10.00 - $4.80 - $20.20 - $65.00), which equals $0.00.

After the claim is processed, the TGCDC Accumulator increases by $100.00, and the TrOOP Accumulator increases by $25.00. Table 7 illustrates how the Part D sponsor would populate the PDE record.

Table 7: EGWP - LIS Beneficiary in the ICP where the EGWP OHI has greater Beneficiary Cost-Sharing than the DS Benefit and the DS Benefit is Applied (Applicable Drug)

PDE Field	Value
Drug Coverage Status Code	C
Ingredient Cost Paid	$100.00
Dispensing Fee Paid	$0.00
Total Amount Attributed to Sales Tax	$0.00
Vaccine Administration Fee or Additional Dispensing Fee	$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	$100.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00
Patient Pay Amount	$4.80
Other TrOOP Amount	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$20.20
Patient Liability Reduction Due to Other Payer Amount (PLRO)	$0.00
Covered D Plan Paid Amount (CPP)	$65.00
Non Covered Plan Paid Amount (NPP)	$0.00
Reported Manufacturer Discount	$10.00
Total Gross Covered Drug Cost Accumulator	$1,200.00
True Out-of-Pocket Accumulator	$675.00
Beginning Benefit Phase	N
Ending Benefit Phase	N

6. Adjustment of PDE Records with LICS Data

Sometimes plans will submit PDE records for beneficiaries who are later deemed to be LIS-eligible where LIS benefits are retroactive. CMS requires that plans ensure that beneficiaries are not overcharged per the Part D benefit. In other words, plans are required to reimburse the patient fully in cases where prior Patient Pay Amounts are impacted by retroactive LIS eligibility. When adjustments result in a plan owing an LIS beneficiary refund, plans cannot set up a beneficiary account payable as described in Module 05: Calculating and Reporting TrOOP. Plans must refund LIS beneficiaries promptly.

To reconcile LICS accurately, LICS must be accurate on a claim-by-claim basis. Therefore, plans will also have to submit adjusted PDE records for any submitted PDE record impacted by

retroactive eligibility for LICS. Plans cannot use the "Report-As-Administered" method described in Module 05: Calculating and Reporting TrOOP.

6.1 Adjustment Example: Beneficiary Deemed Eligible for LIS Retroactively for an MDP Phase-In Eligible Drug

Sunny Valley Health Plan, a specified manufacturer eligible to provide a phase-in percentage for specified drugs dispensed to LIS beneficiaries, is notified that a beneficiary in their DS plan has been deemed eligible for LIS category 1 and the benefits are retroactive. Sunny Valley Health Plan must adjust the PDE record to account for the beneficiary's LIS status.

A PDE record for a drug event that occurred during the retroactive period has been submitted to CMS. The beneficiary purchased a $320.00 covered Part D MDP phase-in eligible applicable drug in CY 2025. The record was submitted when the beneficiary's YTD gross covered drug costs were equal to $700.00, and YTD TrOOP costs were equal to $617.50 (the beneficiary was in the ICP of the benefit).

In the ICP, because this is a drug eligible for the MDP phase-in in CY 2025, the manufacturer discount is 1% of the total drug cost ($320.00 * 0.01 = $3.20) in 2025. To determine the beneficiary liability and LICS amount, the non-LIS beneficiary cost-sharing ($320.00 * 0.25 = $80.00) is compared to the LIS category 1 statutory cost-sharing amount ($12.15). Because the LIS statutory cost-sharing amount is less than the non-LIS beneficiary cost-sharing amount, the beneficiary pays $12.15. LICS is calculated as the difference between the non-LIS and LIS beneficiary cost-sharing amounts ($80.00 - $12.15 = $67.85). CPP is 74% of the total drug cost ($320.00 * 0.74 = $236.80).

Because the event was in the ICP, the beneficiary paid $80.00 at POS but now only owes the LIS category 1 cost-sharing of $12.15. Table 8 illustrates how LICS is calculated for the original non-LIS beneficiary PDE record and the adjusted LIS beneficiary PDE record.

Table 8: Adjustment of a PDE Record with LICS Data

PDE Field	Original Non-LIS Beneficiary PDE	Adjusted LIS Beneficiary PDE
Drug Coverage Status Code	C	C
Adjustment Deletion Code	<SPACE>	A
Ingredient Cost Paid	$320.00	$320.00
Dispensing Fee Paid	$0.00	$0.00
Total Amount Attributed to Sales Tax	$0.00	$0.00
Vaccine Administration Fee or Additional Dispensing Fee	$0.00	$0.00
Gross Drug Cost Below Out-of-Pocket Threshold (GDCB)	$320.00	$320.00
Gross Drug Cost Above Out-of-Pocket Threshold (GDCA)	$0.00	$0.00
Patient Pay Amount	$80.00	$12.15
Other TrOOP Amount	$0.00	$0.00
Low-Income Cost-Sharing Subsidy Amount (LICS)	$0.00	$67.85
Patient Liability Reduction Due to Other Payer Amount (PLRO)	$0.00	$0.00
Covered D Plan Paid Amount (CPP)	$208.00	$236.80

PDE Field	Original Non-LIS Beneficiary PDE	Adjusted LIS Beneficiary PDE
Non Covered Plan Paid Amount (NPP)	$0.00	$0.00
Reported Manufacturer Discount	$32.00	$3.20
Total Gross Covered Drug Cost Accumulator	$700.00	$700.00
True Out-of-Pocket Accumulator	$617.50	$617.50
Beginning Benefit Phase	N	N
Ending Benefit Phase	N	N

The adjusted PDE record, matching the original record on the key fields, is submitted with the correct information. The Adjustment Deletion Code field must be populated with an ‘A’. The plan must promptly issue a refund to the beneficiary in the amount of $67.85 ($80.00 - $12.15) and cannot set up an account payable.

Accurate reporting of LICS directly impacts plan payment during reconciliation (for additional details about the LICS reconciliation, refer to Module 16: Reconciliation). In this example, TrOOP accumulation does not change because Patient Pay Amount and LICS are both TrOOP-eligible amounts.

Appendix A: Acronyms

Table 9: Acronyms

Acronym	Literal Translation
CMS	Centers for Medicare & Medicaid Services
CPP	Covered D Plan Paid Amount
CY	Calendar Year
DDPS	Drug Data Processing System
DS	Defined Standard
EA	Enhanced Alternative
EGWP	Employer Group Waiver Plan
FBDE	Full-Benefit Dual-Eligible
FPL	Federal Poverty Level
GDCA	Gross Drug Cost Above Out-of-Pocket Threshold
GDCB	Gross Drug Cost Below Out-of-Pocket Threshold
ICP	Initial Coverage Phase
IRA	Inflation Reduction Act
LI	Low-Income
LICS	Low-Income Cost-Sharing Subsidy Amount
LIS	Low-Income Subsidy
MA-PD	Medicare Advantage Prescription Drug
MDB	Medicare Beneficiary Database
MDP	Manufacturer Discount Program
MMA	Medicare Modernization Act
MSP	Medicare as Secondary Payer
NPP	Non Covered Plan Paid Amount
OHI	Other Health Insurance
OOP	Out-of-Pocket
PACE	Programs of All-Inclusive Care for the Elderly
PBP	Plan Benefit Package
PDE	Prescription Drug Event
PDP	Prescription Drug Plan
PLRO	Patient Liability Reduction Due to Other Payer Amount
POS	Point of Sale
TGCDC	Total Gross Covered Drug Cost
TrOOP	True Out-of-Pocket costs
YTD	Year-to-Date