



BENECARD®

Carve-out prescription drug benefit programs.

2023 RxDC Reporting Data (Average monthly premium paid by members/employers)

Illustrative Calculations:

To help assist our plan sponsors in calculating the reporting requirements of the 2023 Prescription Drug Data Collection (RxDC), Benecard is providing the following illustrations and descriptions. Benecard's interpretation of these two reporting requirements is based on the minimal guidance and ambiguous instructions that have been provided by the federal agencies at this point in time. Plan sponsors should also monitor this area for any last-minute changes the federal government may make. Benecard will promptly notify clients if it becomes aware of changes. **Benecard is not a law firm and cannot provide legal advice. We encourage each plan sponsor to consult their own legal counsel about how to interpret these brand-new reporting requirements.**

First Number to Calculate: Average monthly premium paid by members for your prescription program – calendar year 2023.

As the plan sponsor, you need to calculate the "average monthly premium paid by members", per the RxDC Reporting Instructions (the "[Instructions](#)").¹ The Instructions provide this formula as a guide:

$$\text{Average monthly premium paid by members} = \frac{\text{Total premium paid by members}}{\text{Total member months}}$$

The Instructions generally state that the average premium paid by members includes the "Premium paid by member". Normally this would be the amount paid by the employee (and, in a situation where there is continuation coverage elected by a spouse or child, the amount paid by that spouse or child for that continuation coverage).

Determining this amount is a three-step process, per the formula above. First, you should determine the "total premium paid by members". Second, you should divide that dollar amount by the total number of "member months". Third, you divide the two numbers. We discuss this process below.

Step 1: Total Premium Paid by Members.

The total "premium" paid by members will be, in general, the amount that an employer requires an employee or other plan enrollee to pay, in order to have coverage under the plan. Note that the Instructions are unclear on whether an employer must separate out the "medical plan portion" from the "prescription drug portion" of the premium.

For example, an employer may charge \$200 per month for coverage under their health benefits plan. Twenty percent of that (*i.e.*, \$200 x .20 = \$40) may represent the "prescription drug portion" of the premium paid by the member. Eighty percent of that (*i.e.*, \$200 x .80 = \$160) may represent the "medical portion" of the premium paid by the member. The exact percentages will vary, from employer to employer. Our examples below assume that an employer is able to separate out the two portions and report the "prescription drug portion" to Benecard.



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Easy Example. The ABC School District provides a medical benefit through Big Insurance Company and a prescription drug benefit through Benecard. The ABC School District requires active employees to pay \$440 per month for family coverage under the plan. Single coverage costs one-half that amount, or \$220 per month.

The ABC School District determines that eighty percent (80%) of the cost that members pay relates to the "medical portion", while twenty percent (20%) of the cost relates to the "prescription drug portion". Thus, employees with family coverage pay \$88 (*i.e.*, $\$440 \times .20 = \88) per month towards the "prescription drug portion". Employees with self-only coverage pay \$44 (*i.e.*, $\$220 \times .20 = \44) per month towards the "prescription drug portion."

Suppose the ABC School District has five employees with family coverage and six employees with single coverage in January 2022. For that month, the total premium by members equals what the employees paid for family coverage (*i.e.*, $\$88 \times 5 = \440) plus what the employees paid for single coverage (*i.e.*, $\$44 \times 6 = \264). These two amounts equal \$704 (*i.e.*, $\$440 + \$264 = \$704$). This is the total premium paid by members for January 2023.

The above is a simple example, for one month. However, employers will need to do this type of determination for all employees who were enrolled in the prescription plan for each of the twelve months in 2023.

Total Premium Paid by Members. A different school district, DEF School District, follows the above steps and determines that these are the total amounts paid, with respect to prescription drug coverage, for each month of 2023.

Month	Total Premium Paid by Members
January 2023	\$6,000
February 2023	\$5,000
March 2023	\$5,500
April 2023	\$6,000
May 2023	\$6,500
June 2023	\$6,000
July 2023	\$6,500
August 2023	\$6,000
September 2023	\$6,000
October 2023	\$6,000
November 2023	\$6,500
December 2023	\$6,000
Total for 2023	\$72,000

Note that these numbers vary from month-to-month because the "mix" of members can vary from month-to-month. Some employees may switch from family coverage to single coverage (or vice versa). Or new employees may join. And some employees may terminate employment. Thus, the numbers will vary.



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Step 2: Determine Member Months.

The second step is to determine the number of "member months". Taking the "total premium paid by members" from the first step, then dividing that amount by the number of "member months", provides the "average monthly premium paid by members".

The Instructions say that, to determine the number of "member months", an employer will: (a) count the number of members covered on a given day of each month of the "reference year" (for example, the first day of each month in 2023); and (b) add the number of members from the first step, for each and every month of the year. When you are counting the number of members covered on a given day, note that the definition of a "member" is broad. A "member" seems to include active employees; retirees; dependents; and individuals on COBRA or other continuation coverage.

Determining Member Months. DEF School District wishes to determine its "member months". It chooses to count the members as of the first day of each month (*i.e.*, January 1, February 1, etc.). It determines that it has the following number of members for each month in 2023.

Date	Members covered by the plan on the 1 st of each month
January 1, 2023	86
February 1, 2023	82
March 1, 2023	81
April 1, 2023	81
May 1, 2023	81
June 1, 2023	80
July 1, 2023	81
August 1, 2023	80
September 1, 2023	90
October 1, 2023	85
November 1, 2023	86
December 1, 2023	87
Total Members Months (<i>i.e.</i> , add up the numbers from each month to reach the total)	1,000

So, the "total member months" for DEF School District, for 2023, is 1,000.

Step 3: Average Monthly Premium Paid by Members.

Once those two steps are complete, you should enter this information in the PDF document provided by Benecard titled (FORM D1), which will then automatically calculate the "average monthly premium paid by members". This is done by taking the "total premium paid by members" from Step 1 and dividing it by the "total member months" from Step 2.

In our example above, the total premium paid by members, with respect to the prescription drug portion, from Step 1 is \$72,000. The "total member months" from Step 2 is 1,000. The first number divided by the second number is \$72.00 (*i.e.*, $\$72,000 / 1,000 = \72). This is the "average monthly premium paid by members" which again will be calculated in the PDF FORM D1.



Can we just report to Benecard the amount from Step 3, and not the amounts from Steps 1 and 2? Benecard prefers that we receive all three amounts. That is because it may be possible for Benecard to report information to CMS on an "aggregated" basis (*i.e.*, on behalf of all of Benecard's clients). To do that, Benecard will need to know each of its clients' "member months", so Benecard can determine a weighted average across all its clients. Thus, we are requesting all three numbers, above.

Second Number to Calculate: Average Monthly Premium Paid by Employers.

The CMS rules also require employers to report the "average monthly premium paid by the employer". Each plan sponsor of Benecard will need to report this information to Benecard, so Benecard can report it to CMS.

Determining the "average monthly premium paid" by an employer will follow a similar process as noted above, where we determined the average monthly premium paid by members. The Instructions provide this formula:

$$\text{Average monthly premium paid by employers} = \frac{\text{Total premium paid by employers}}{\text{Total member months}}$$

As we did above, we provide an example of what this formula means. **However, we encourage clients to consult their own legal counsel for guidance in this area.**

Step 1: Total Premium Paid by Employers.

To determine the total prescription premium paid by an employer, the employer determines the total amount it paid to Benecard, then subtracts what the members paid/contributed as you previously calculated in the first section of step 1 above. The Instructions allow an employer to use a COBRA rate in helping to determine what the employer paid. For some employers, that may make it easier to make this determination.

Calculating the Total Premium Paid. DEF School District determines that the following amounts represent the employer portion of the prescription drug benefit, determined on a month-by-month basis.

Month	Total Premium Paid by Employer
January 2023	\$24,000
February 2023	\$20,000
March 2023	\$22,000
April 2023	\$24,000
May 2023	\$26,000
June 2023	\$24,000
July 2023	\$26,000
August 2023	\$24,000
September 2023	\$24,000
October 2023	\$24,000
November 2023	\$26,000
December 2023	\$24,000
Total for 2023	\$288,000

Thus, the "total premium paid" by DEF School District for the prescription drug portion of the plan is \$288,000.



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Step 2: Determine Member Months.

The total premium paid by the employer is then divided by the "total member months". The total member months for purposes of the average monthly premium paid by an employer is the same calculation as for "total member months" in the "average monthly premium paid by members" calculation. That is, at this point, you should have already determined the "total member months."

In the example above for DEF School District the "total member months" was 1,000.

Step 3: Divide Total Premium Paid by Employer by Number of Member Months.

Now, you simply enter in FORM D1 what you calculated for the dollar amount from Step 1, above as well as the number of member months from Step 2, above and the FORM D1 will calculate the average monthly premium paid by the employer.

Using the example for DEF School District, the result is \$288 (*i.e.*, \$288,000 / 1,000). This is the "average monthly premium paid by the employer". This amount is what Benecard will report to CMS on our plan sponsors' behalf.

Once you have completed the FORM D1, you will send it back to Benecard at BCSRxDC@benecard.com by no later than April 8, 2024. Benecard will submit the information to CMS by June 1, 2024.

¹ The Instructions are available here: <https://www.cms.gov/ccio/programs-and-initiatives/other-insurance-protections/prescription-drug-data-collection>.

Disclaimer: This document is not intended to provide legal, tax, or accounting advice nor a full description of all components that make up the CAA RxDC Reporting Requirements. Consult with your attorney or accountant about the impact these federal healthcare reform laws and requirements have on your health benefit plans.

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