Comments on "Sinking, Swimming or Learning to Swim in Medicare Part D"

Jack Hoadley, Ph.D.
Health Policy Institute
Georgetown University
Part D: The Big Picture

• Authors suggests that Part D experience is largely positive:
  – High participation, high consumer satisfaction
  – Expanded prescription drug use
  – Program costs below projections
• But we should note challenges remain:
  – Increasing premiums for beneficiaries
  – Volatility for LIS beneficiaries
  – Choices can be confusing
  – Coverage gap still difficult
• ACA addressed challenges to some degree
Observation #1

- Beneficiaries seem to stay in plans in the face of significant premium increases.
- Average monthly PDP premiums up 44% for 2006-2010; another 9% projected in 2011
Observation #2

- 1.7 million LIS beneficiaries have stayed in plans where they pay a premium.
- CMS reassigns many to avoid this, but "choosers" are not reassigned.

<table>
<thead>
<tr>
<th>Year</th>
<th>More than $5</th>
<th>Less than $5</th>
</tr>
</thead>
<tbody>
<tr>
<td>2006</td>
<td>2%</td>
<td>4%</td>
</tr>
<tr>
<td>2007</td>
<td>3%</td>
<td>4%</td>
</tr>
<tr>
<td>2008</td>
<td>7%</td>
<td>14%</td>
</tr>
<tr>
<td>2009</td>
<td>7%</td>
<td>19%</td>
</tr>
<tr>
<td>2010</td>
<td>6%</td>
<td>15%</td>
</tr>
</tbody>
</table>
Observation #3

- Beneficiaries in focus groups do not report researching or changing plans.
  - Too confusing
  - Bias toward staying put

- Beneficiaries and physicians in focus groups report finding formulary exceptions, prior authorizations difficult
  - Change drugs rather than confront plans
Observation #4

- Plan differences seem unaligned with premiums
- Enhanced & basic benefits hard to differentiate
- Plan names not always meaningful

Unweighted Average Monthly PDP Premiums, 2010

- Basic Benefits, No Gap Coverage: $36.70
- Enhanced Benefits, No Gap Coverage: $42.09
- Enhanced Benefits with Gap Coverage: $78.71
Share of Basic and Enhanced PDPs with Tiered Cost Sharing Above Median Amounts, 2010

- **Generic tier**
  - copayment > $7
  - Basic PDPs: 20%
  - Enhanced PDPs: 5%

- **Preferred tier**
  - copayment > $42 or 25%
  - Basic PDPs: 24%
  - Enhanced PDPs: 31%

- **Non-preferred tier**
  - copayment > $76 or 50%
  - Basic PDPs: 50%
  - Enhanced PDPs: 58%

- **Specialty tier**
  - copayment > 30%
  - Basic PDPs: 24%
  - Enhanced PDPs: 73%

SOURCE: Georgetown/NORC analysis of CMS PDP Landscape Source Files, 2010, for the Kaiser Family Foundation.
Share of Costs Paid Out of Pocket by Part D Enrollees in National PDPs Offering Gap Coverage, 2009

Enrollees’ share of costs during the initial coverage period
Enrollees’ share of costs during the coverage gap

8-PLAN AVERAGE

- Share during initial coverage period: 24%
- Share during coverage gap: 62%

AARP MedicareRx Enhanced
- Share during initial coverage period: 25%
- Share during coverage gap: 96%

Aetna Premier
- Share during initial coverage period: 17%
- Share during coverage gap: 96%

Advantra Premier Plus
- Share during initial coverage period: 21%
- Share during coverage gap: 95%

Caremark Complete
- Share during initial coverage period: 19%
- Share during coverage gap: 19%

CCRx Gold
- Share during initial coverage period: 22%
- Share during coverage gap: 22%

CIGNA Plan Three
- Share during initial coverage period: 42%
- Share during coverage gap: 95%

Humana PDP Complete
- Share during initial coverage period: 25%
- Share during coverage gap: 26%

Medco Access
- Share during initial coverage period: 16%
- Share during coverage gap: 16%

SOURCE: Georgetown/NORC analysis of data from CMS for the Kaiser Family Foundation.
NOTES: Amounts shown are for 12 common generic drugs based prices found on the Medicare Drug Plan Finder.
Observation #5

• How many beneficiaries switch plans overall?
  – CMS report for 2006:
    • 1.1 million or 7% of all non-LIS beneficiaries
  – CMS report for 2007:
    • 1.0 million or 6% of all non-LIS beneficiaries
  – No reports for later years
Paper: Reduced Overspending

• Paper reports reduction by $296 from 2006-07
  – From 36% of total OOP costs in 2006
  – To 21% of total OOP costs in 2007
• But does that reflect beneficiary decisions to choose new plans OR changes in both available plan options?
  • Switchers reduced overspending by $436
  • Non-switchers by $233
• For non-switchers, plan change is a major factor
Concerns with Paper’s Sample

• Includes only one PBM
  – PDPs as sponsor and as claims administrator
  – Small subset of overall PDP offerings (7% in 2006 and 14% in 2007)
  – Creates constrained (unrepresentative?) option set
• Do beneficiaries look differently at plan switches among one sponsor’s options?
• What is the impact of adding of “new” 2007 plans to the sample?
• Are enrollees in employer-only plans excluded?
## Caremark Silverscript Plans, 2006-2007

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Silverscript 2006</td>
<td>32,422</td>
<td>$27.34</td>
<td>None</td>
<td>$250</td>
<td>$9</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Silverscript Plus 2006</td>
<td>10,960</td>
<td>$56.54</td>
<td>None</td>
<td>$100</td>
<td>$7</td>
<td>$25 preferred $60 non-pref.</td>
<td>25%</td>
</tr>
<tr>
<td>Silverscript 2007</td>
<td>35,544</td>
<td>$26.49</td>
<td>None</td>
<td>$265</td>
<td>$5</td>
<td>37%</td>
<td>25%</td>
</tr>
<tr>
<td>Silverscript Plus 2007</td>
<td>8,941</td>
<td>$36.73</td>
<td>None</td>
<td>$0</td>
<td>$10</td>
<td>$25 preferred $70 non-pref.</td>
<td>33%</td>
</tr>
<tr>
<td>Silverscript Complete 2007</td>
<td>8,220</td>
<td>$42.25</td>
<td>Generics only</td>
<td>$0</td>
<td>$5</td>
<td>40%</td>
<td>33%</td>
</tr>
</tbody>
</table>
Explaining the Results

• How to sort out different behaviors:
  – Conscious decisions to switch plans
    • Within versus across sponsors
  – Drug use changes as result of formulary design
  – Plan changes that may be passively accepted

• Are results unique to 2006-2007?
  – Plans were still making market adjustments
  – Beneficiaries working from <1 year experience

• Would results vary by sponsor?