

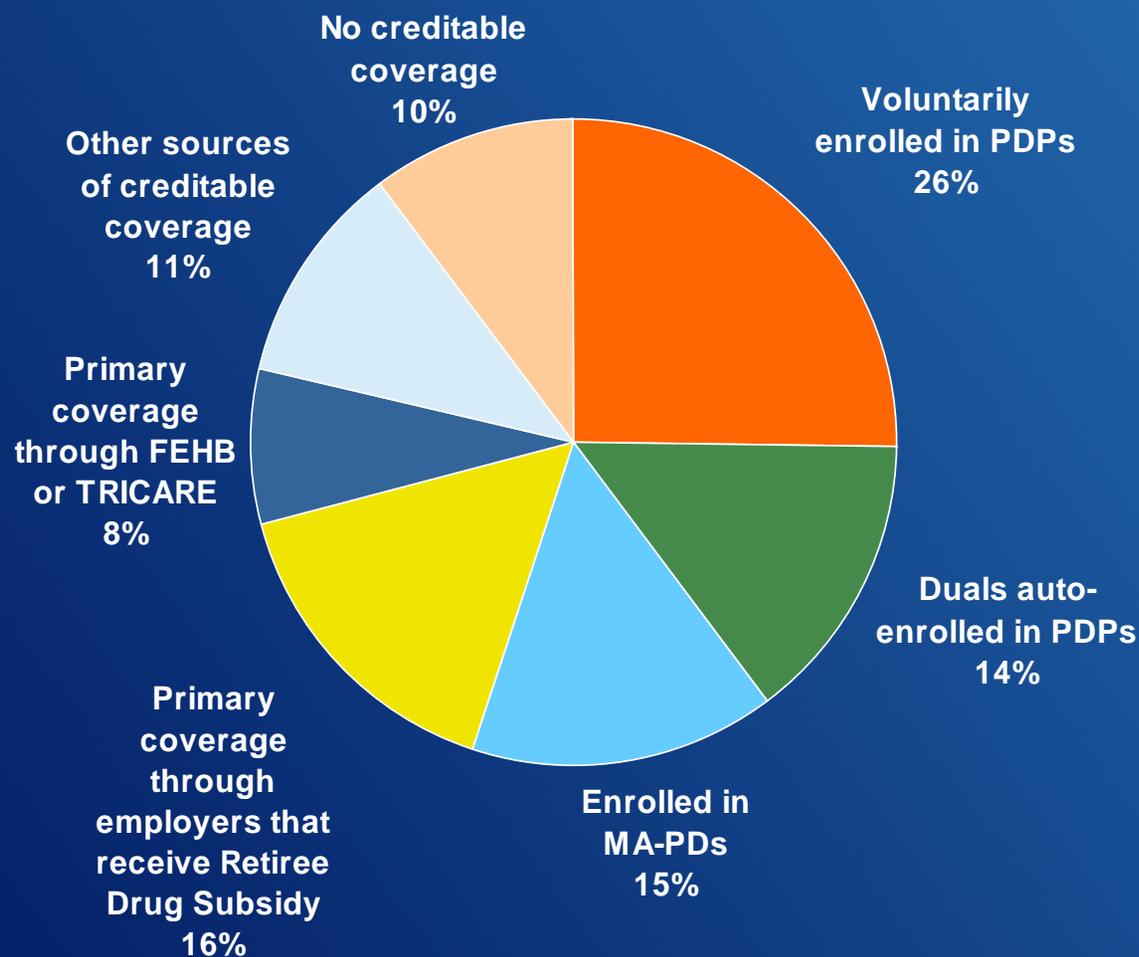


Advising the Congress on Medicare issues

Part D enrollment, benefit offerings, and plan payments

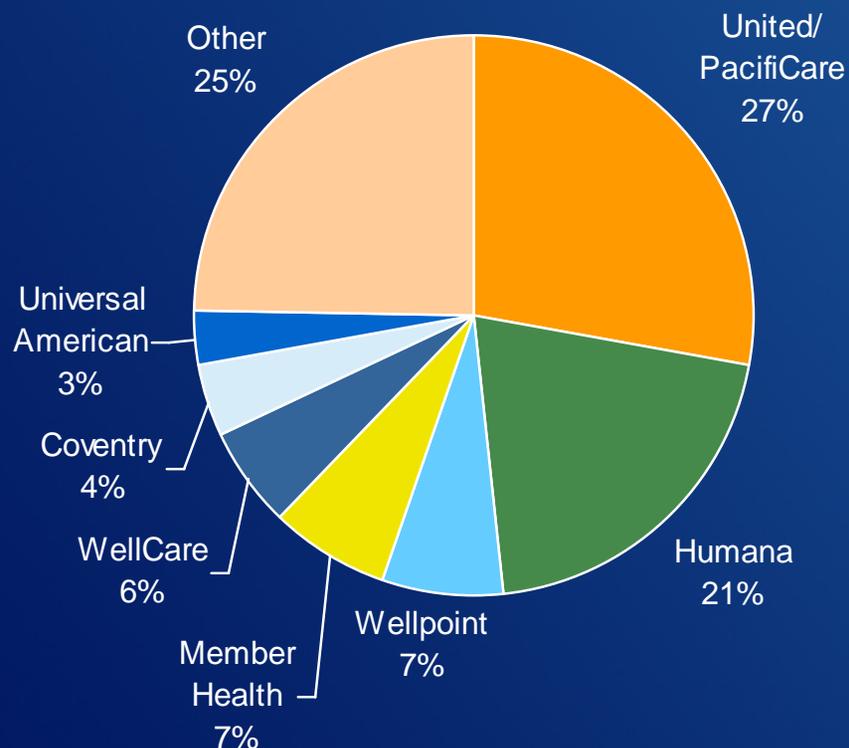
Rachel Schmidt
November 8, 2007

About 90% of beneficiaries are enrolled in Part D plans or have creditable coverage

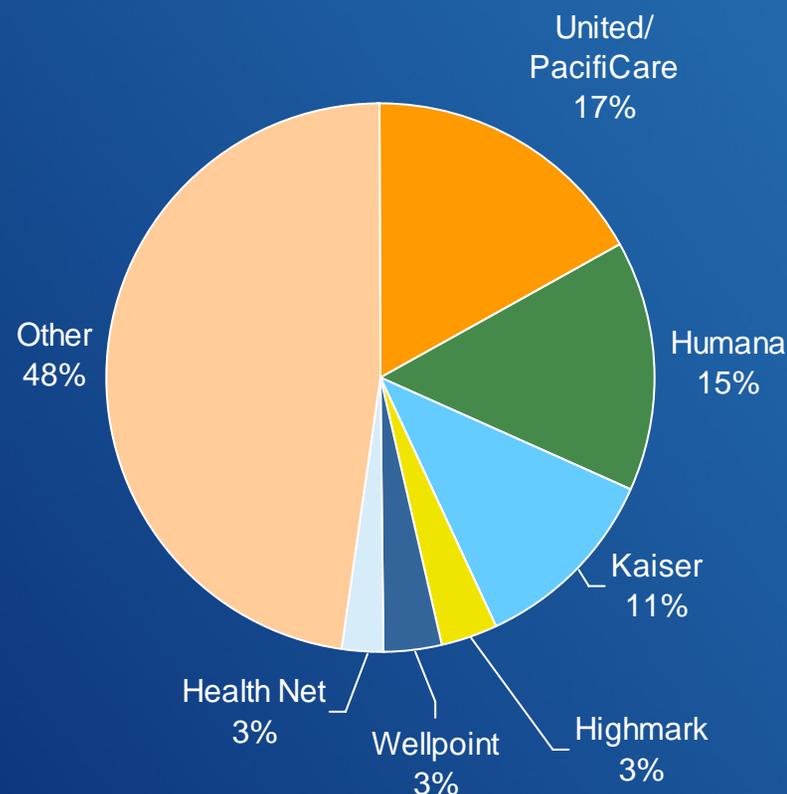


Part D enrollees are concentrated among plans offered by a few sponsors

PDP enrollment=17 million



MA-PD enrollment=7 million



Enrollment patterns for 2007

- 80% of MA-PD enrollees in enhanced rather than basic plans compared with 20% of PDP enrollees
 - Reflects MA-PDs' ability to buy down cost sharing
 - Around half of PDP enrollees auto-assigned into basic plans
- Most enrollees are in plans with no deductible
 - 54% of PDP enrollees
 - 95% of MA-PD enrollees
- Most enrollees are in plans with no gap coverage
 - 91% of PDP enrollees
 - 67% of MA-PD enrollees
- About half of PDP enrollees receive extra help that fills in the coverage gap

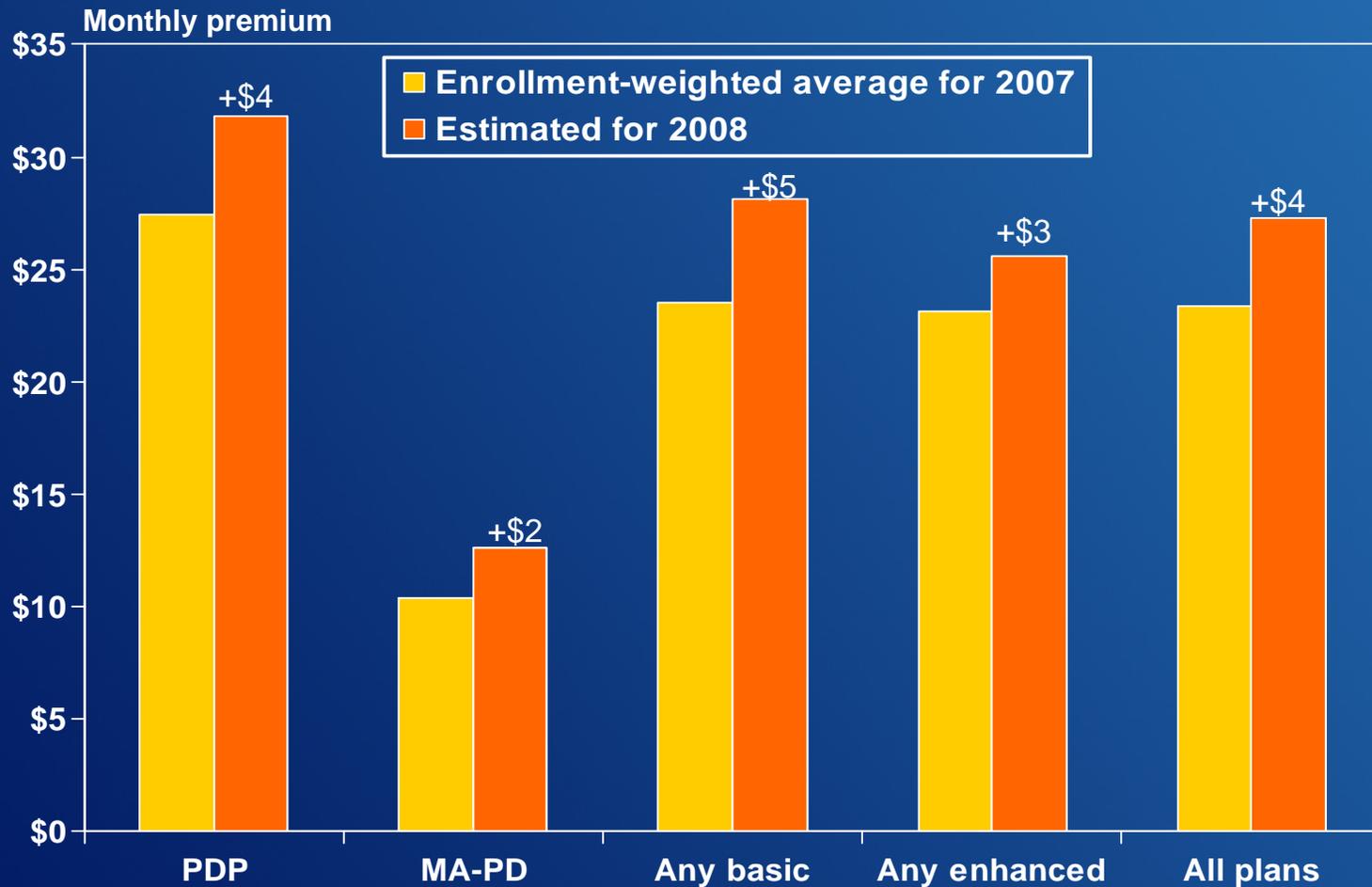
Little change in PDP benefit designs offered between 2007 and 2008

- Slight decrease in total number of plans
- Most beneficiaries will have 50-60 PDPs available plus MA-PDs
- 87% offered by sponsors with nationwide presence
- Slight decrease in actuarially equivalent basic plans, slight increase in share of enhanced plans
- 58% have no deductible
- Around 30% offer gap coverage, but only one plan in one region covers generic and brand-name drugs in the gap

More MA-PDs offered for 2008

- 19% increase in numbers of plans
- Mostly HMOs, but faster growth in PFFS
- Significant increase in share with enhanced benefits (to 89%)
- 86% have no deductible
- 51% offer gap coverage, but most only include generic drugs

In 2008, the average Part D enrollee will pay higher premiums if she stays in the same plan



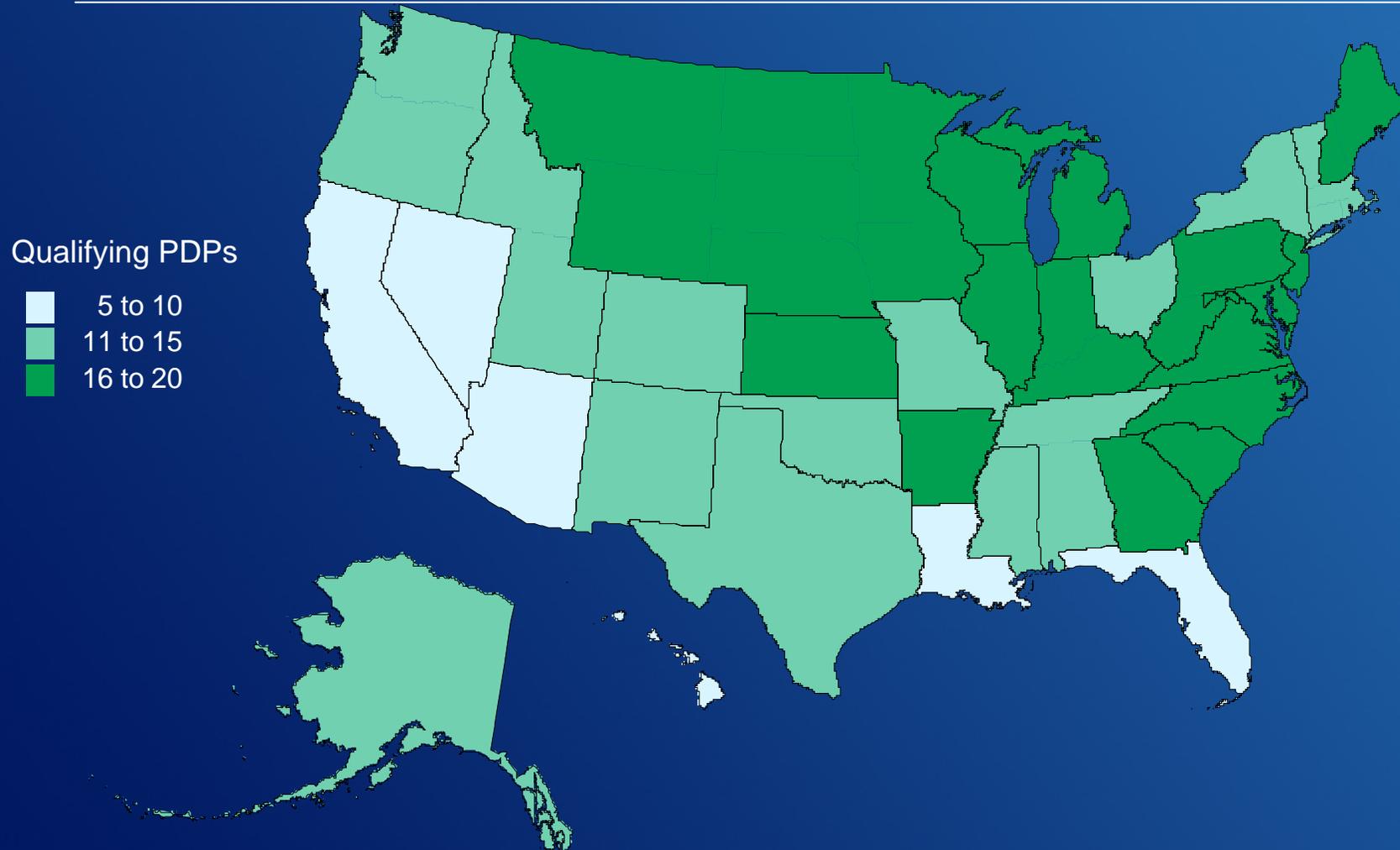
Note: Excludes employer, cost, special needs, and Part B-only plans, demonstrations, and plans in territories. MA-PD amounts are the portion of each plan's overall premium attributable to drug benefits net of rebate dollars.

Source: MedPAC analysis of CMS landscape, bid, and enrollment data.

Potential reasons for premium increases

- CMS continues to phase down Medicare's subsidy to the 74.5% called for in law
- CMS adjusted payments downward to reflect average risk scores greater than 1.0
- Risk corridors—plans will bear more insurance risk
- Bidding behavior of larger plan sponsors

PDPs qualifying as premium free to enrollees who receive low-income subsidies



Greater turnover among plans qualifying as premium free to LIS enrollees

- 2.6 million beneficiaries affected by new thresholds
 - 1.2 million will be reassigned to a qualifying plan offered by a different sponsor
 - 1 million will be reassigned to a qualifying plan offered by the same sponsor
 - 0.4 million must pick a new qualifying plan on their own or begin paying some of the premium
- CMS changes for setting regional thresholds in 2008
 - Phasing in enrollment weighting
 - Plans can keep LIS enrollees if their premium is within \$1 of the threshold (\$2 in 2007)

CMS expects to receive \$4.3 billion in reconciled payments from 2006

- Plans receive prospective monthly payments per enrollee
 - Risk-adjusted direct subsidy
 - Expected individual reinsurance
 - LIS cost sharing
- CMS later reconciles
 - Enrollment, including LIS participation
 - Actual individual reinsurance (\$1.6 billion)
 - Risk corridor payments (\$2.7 billion)

Part D plans bid too high in 2006

Average prospective monthly payments for basic Part D coverage



Part D data still unavailable for purposes other than payment

- Statutory ambiguity about release of data
- CMS proposed rule in 2006 to resolve ambiguity, but it has not moved forward
- Related legislative language introduced in 2006 and 2007