

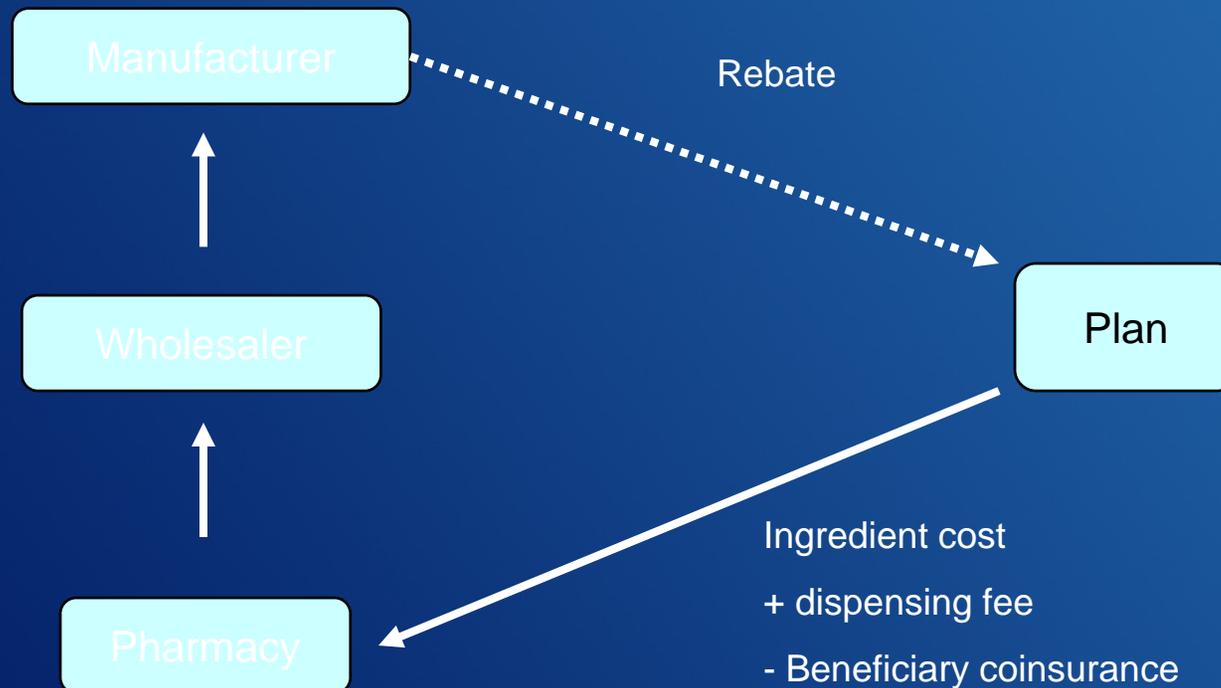


Advising the Congress on Medicare issues

Part D: Trends in drug prices through 2008

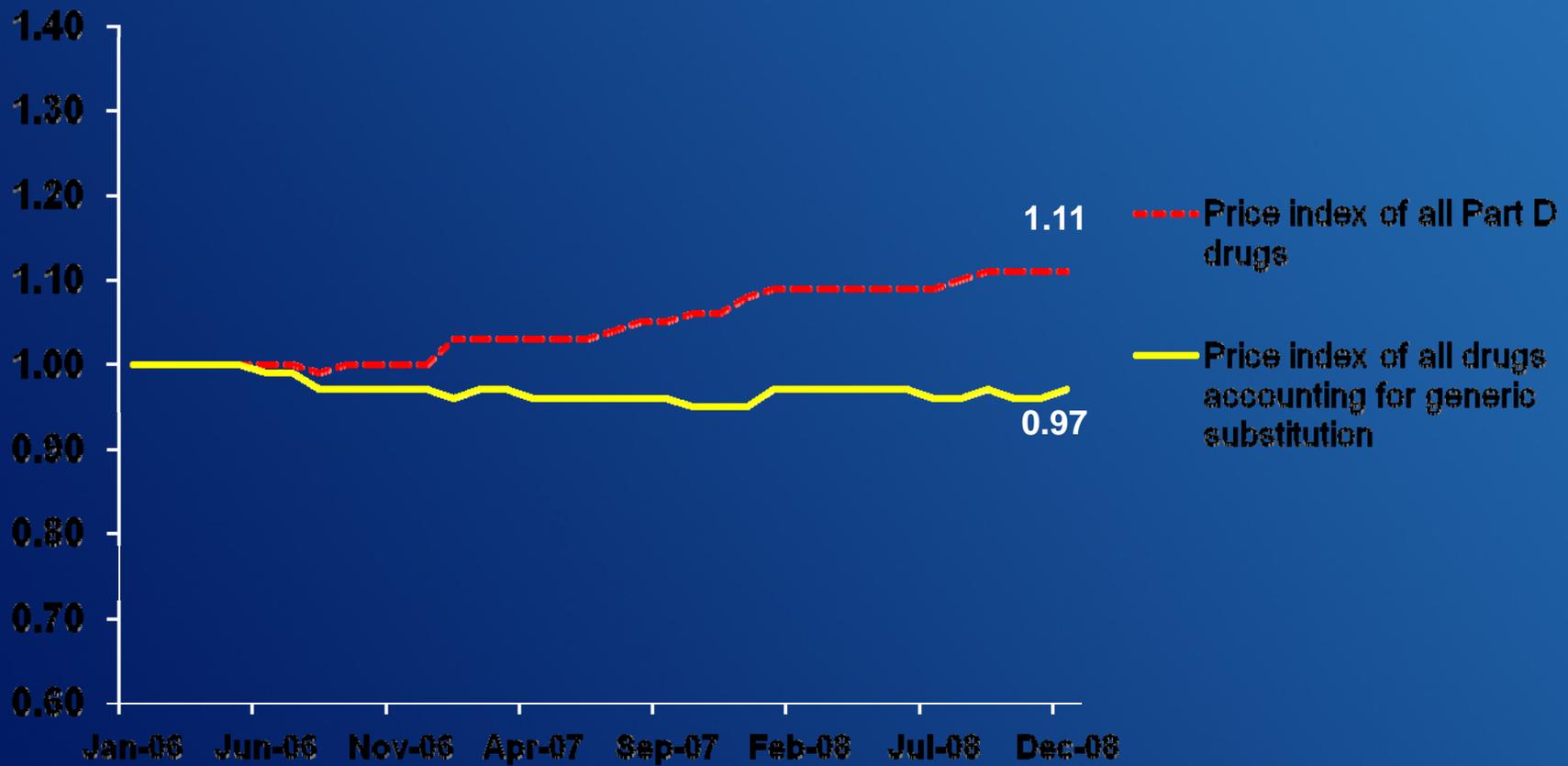
Joan Sokolovsky
January 15, 2010

Drug prices result from two sets of negotiations: cash flows

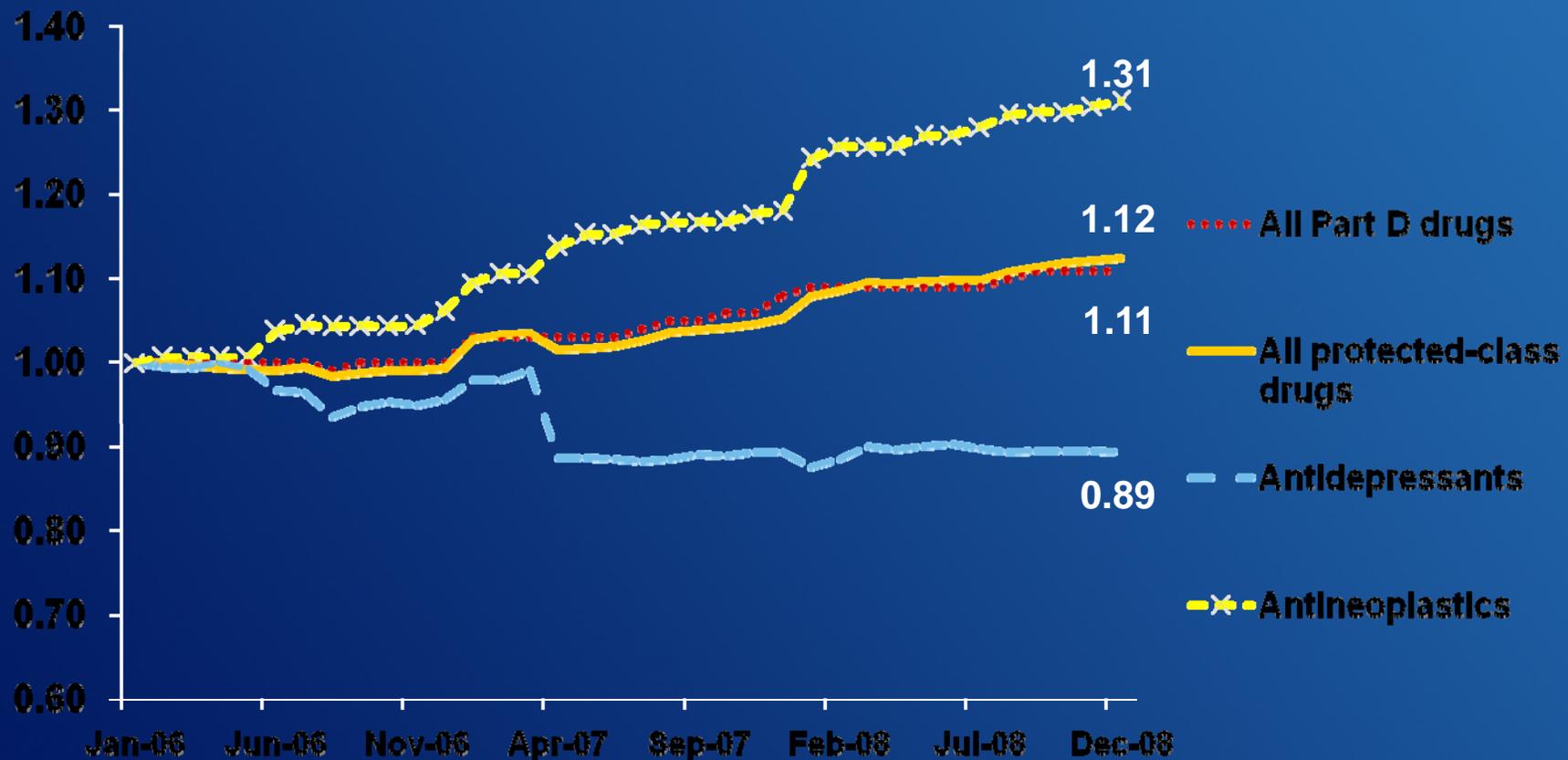


- Retail prices determine beneficiary coinsurance
- Premiums charged by plans are subsidized by Medicare

Mixed picture on Part D drug prices



Presence of generics affects price trends for protected classes



***Medicare Part D Benefit
Designs and Formularies,
2006 – 2010***

Jack Hoadley, Georgetown University

Elizabeth Hargrave, NORC

Katie Merrell, Social & Scientific Systems

January 15, 2010

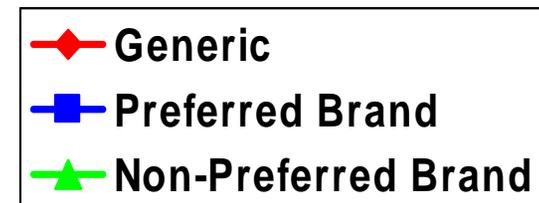
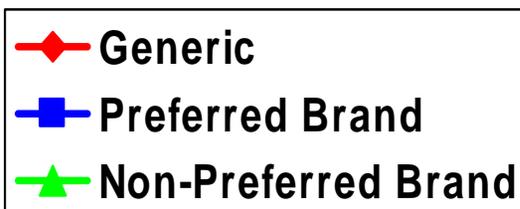
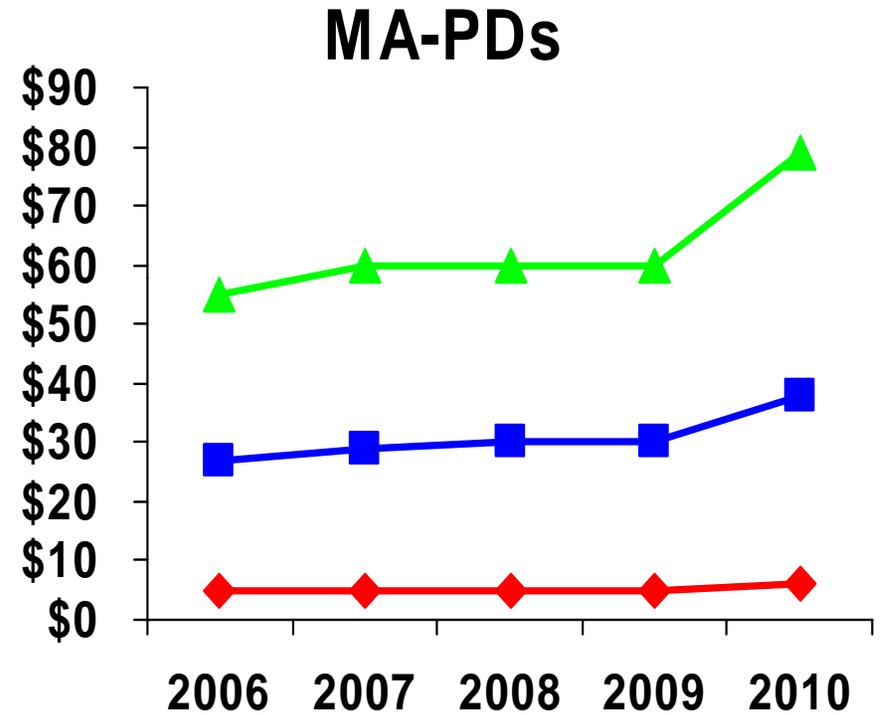
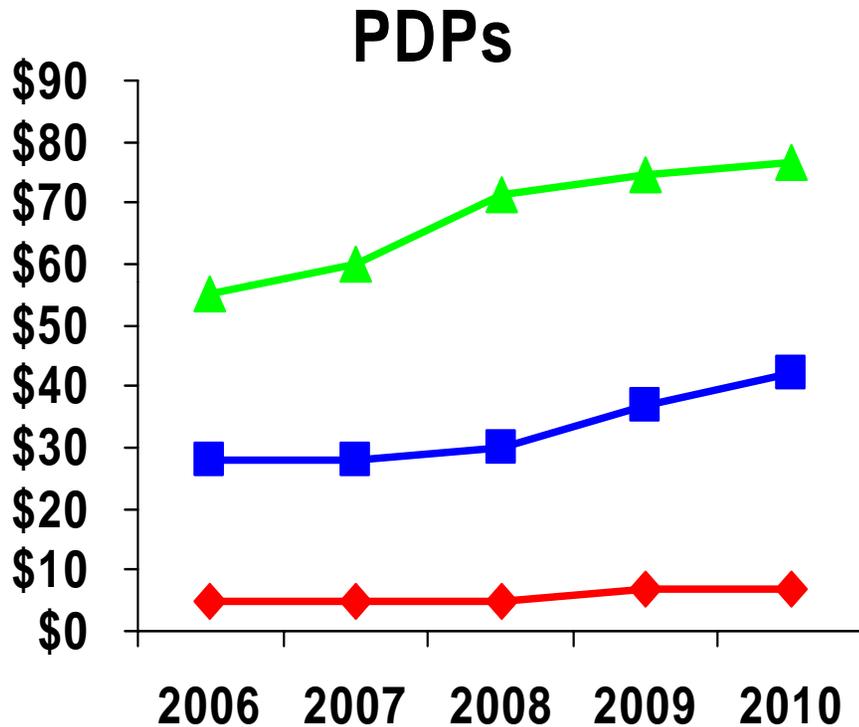
Analysis Notes

- Graphics are enrollment weighted
 - 2010 displays weighted based on 2009 enrollments and plan crosswalk supplied by CMS
- Plans offered by WellCare are excluded
 - Data not available in formulary files because WellCare was suspended from marketing at the time files were released.

PDPs and MA-PDs Use a Variety of Cost Sharing Designs

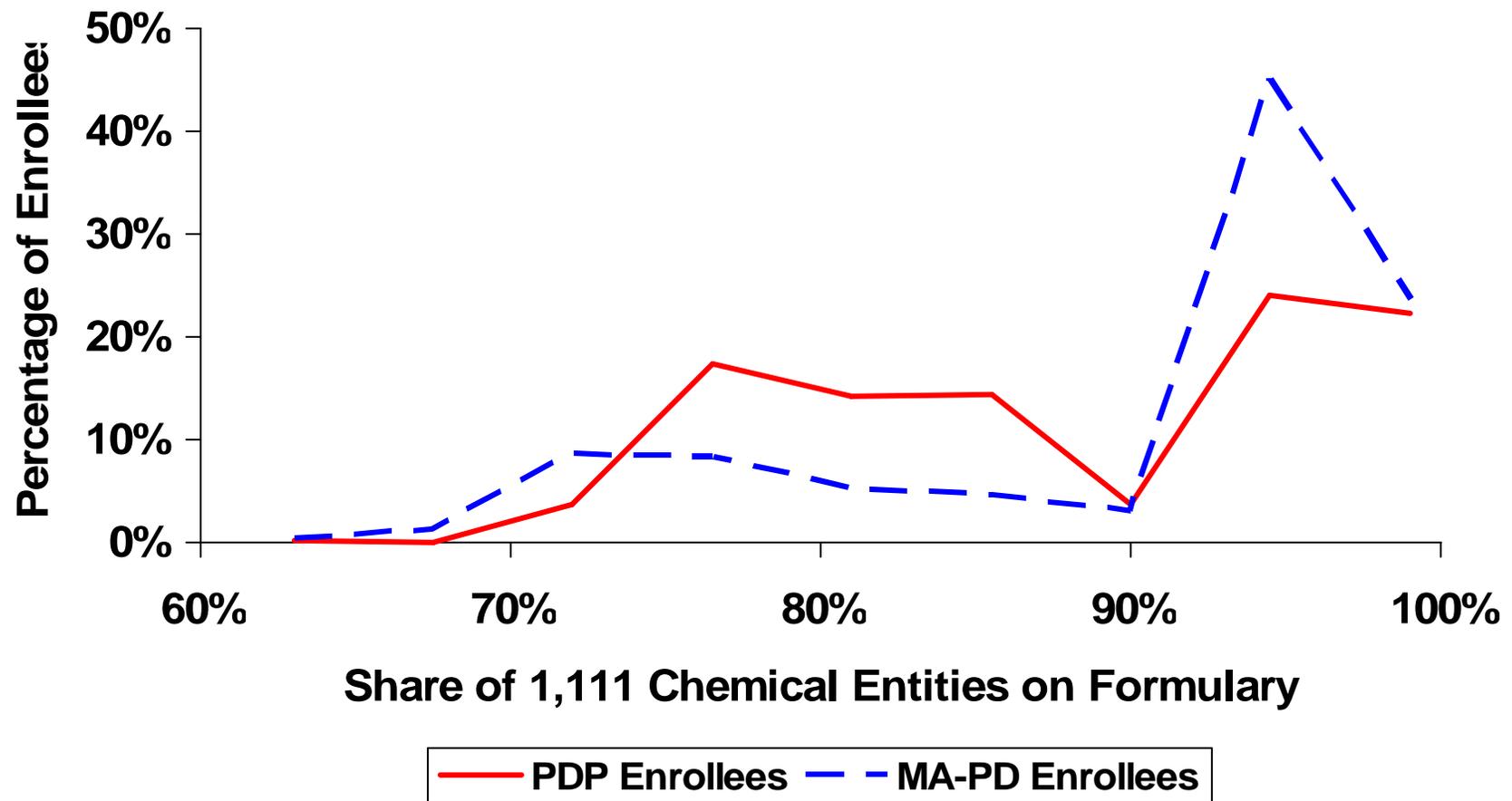
- *Statutory benefit design (25% coinsurance) now used by plans with less than 10% of all enrollees*
- *Most common tier structure (about 80% of enrollees)*
 - Single tier for generic drugs
 - Two tiers for brand drugs (Preferred, Non-Preferred)
 - May include some higher-priced generic drugs
 - Specialty tier for expensive drugs (e.g., biologicals)
- *Most common variations*
 - Single brand tier
 - Second generic tier (Value, Non-Preferred)
 - Third brand tier for (Value Brands)
 - Non-specialty injectible tier

Median Cost Sharing for a Month's Supply of a Drug Continues to Rise, 2006-2010



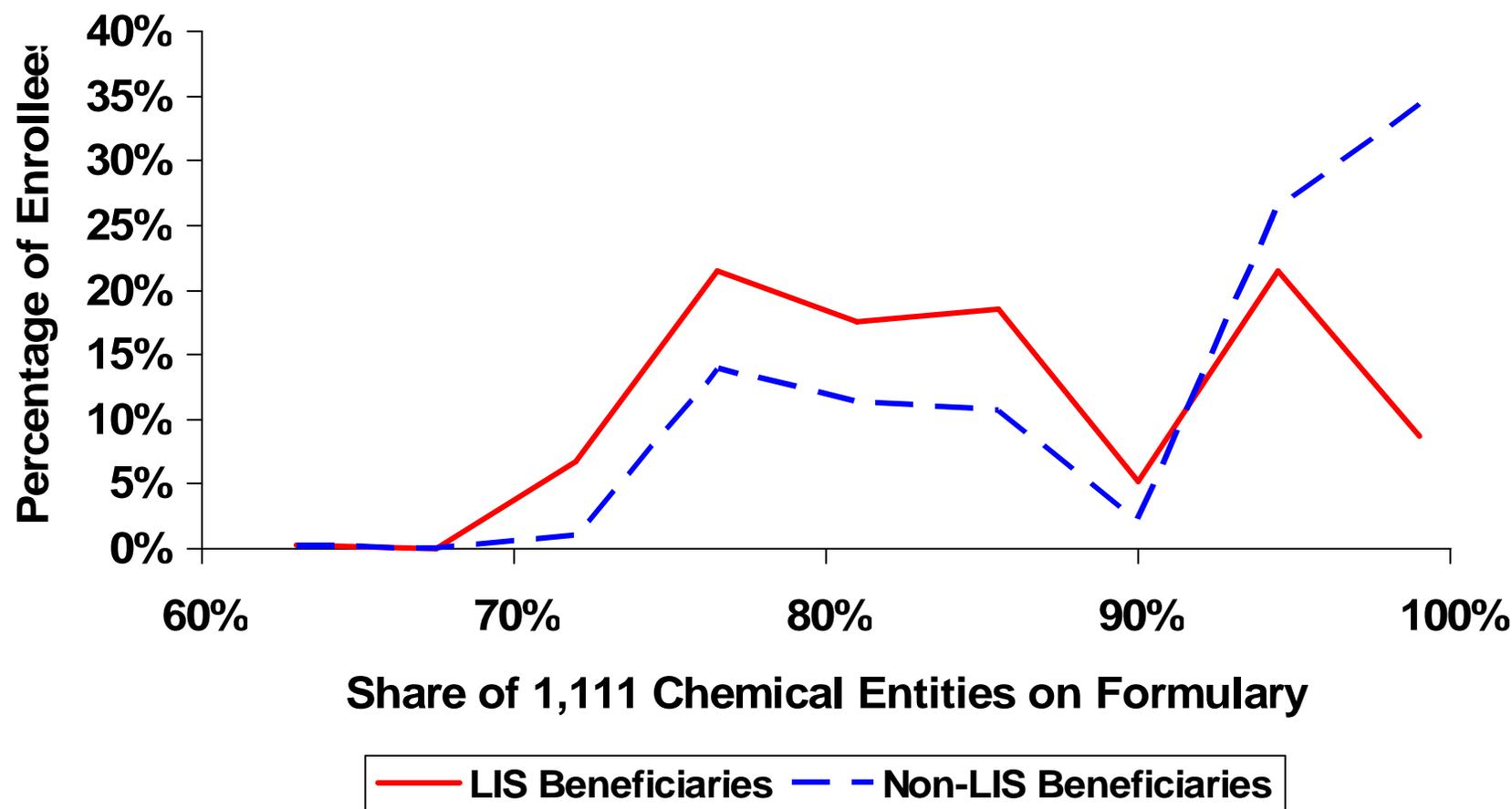
NOTE: Calculations are weighted by enrollments.

Despite Similar Averages, Beneficiaries in Medicare Advantage Tend to Be in Plans with More Drugs on Formulary, 2010



NOTE: Calculations are distributions of 2009 enrollments, based on CMS plan crosswalks.

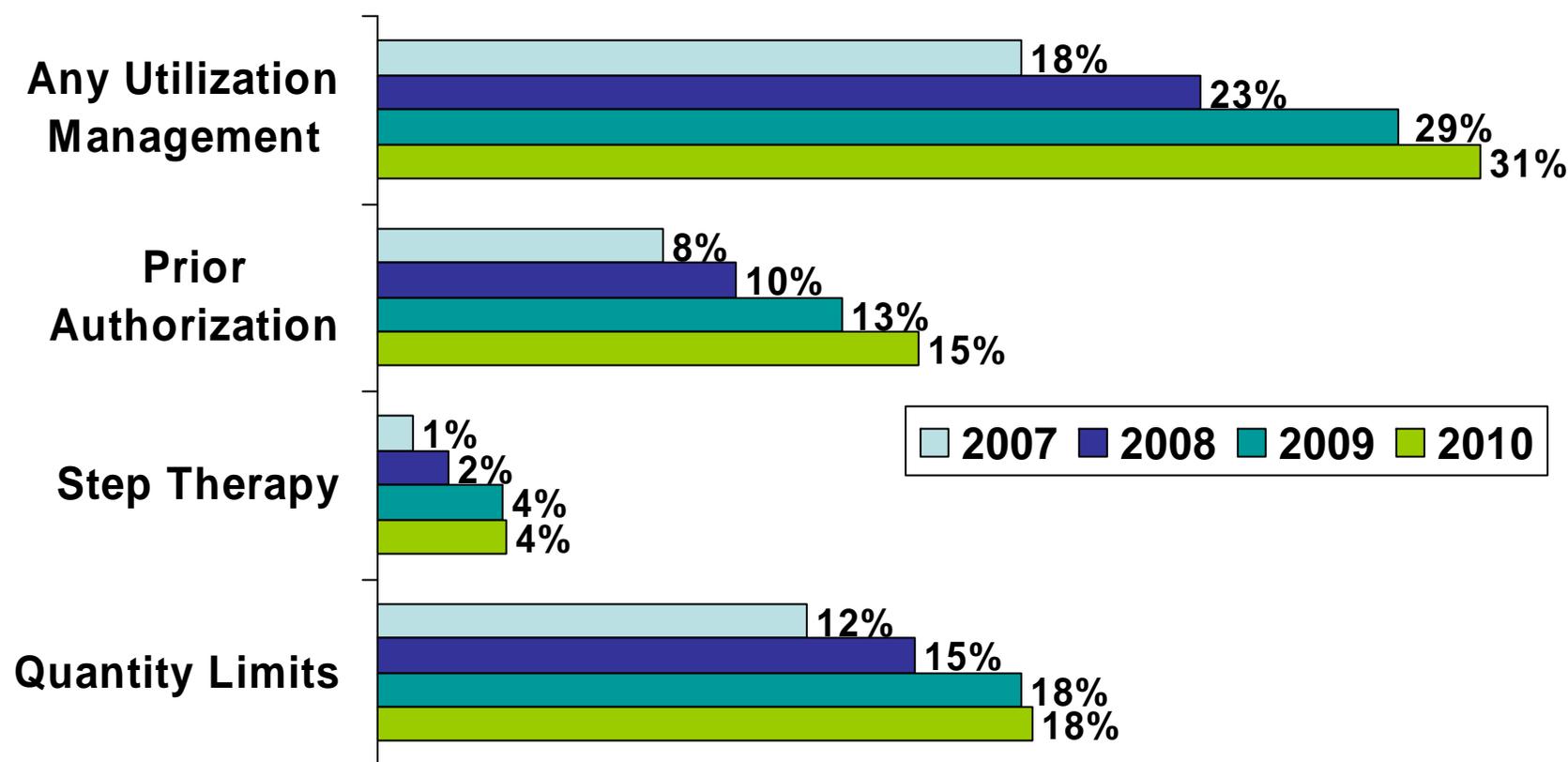
LIS Beneficiaries, Whether or Not in Benchmark Plans, Tend to Be in PDPs with Fewer Drugs on Formulary, 2010



NOTE: Calculations are distributions of 2009 enrollments, based on CMS plan crosswalks.

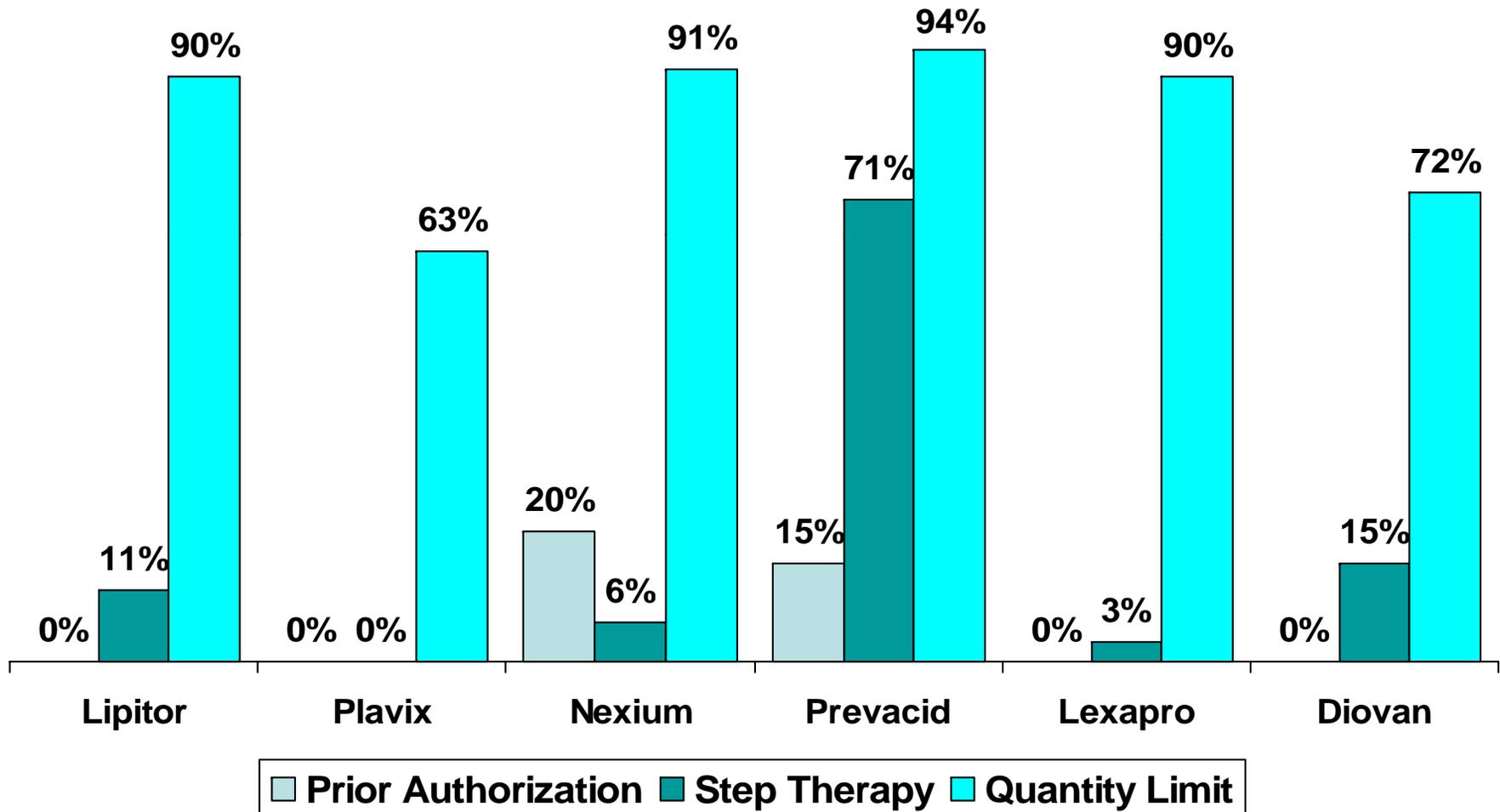
Gradual Increases in Share of Drugs with Utilization Management, PDPs, 2007-2010

Average Share of Listed Drugs



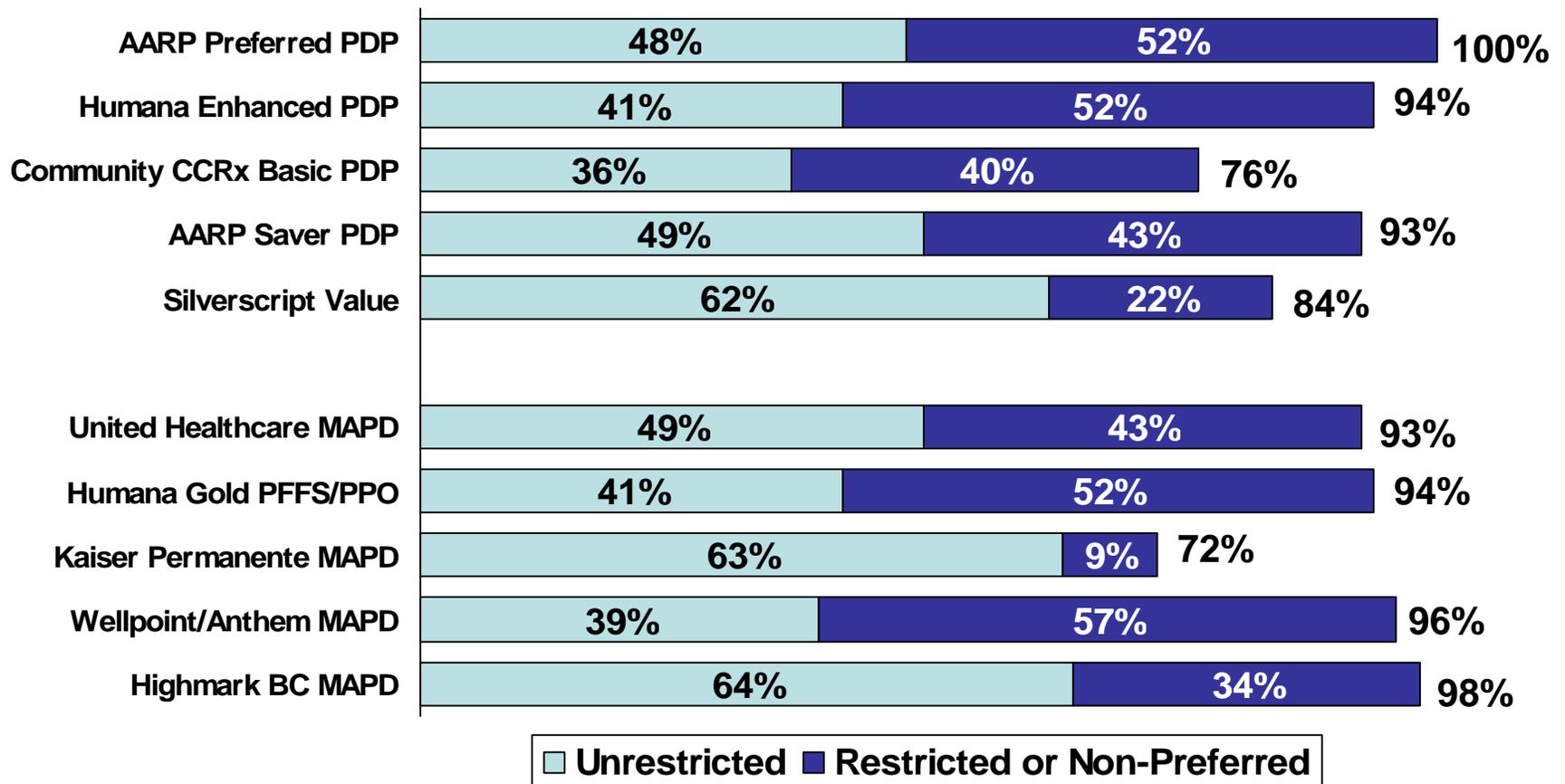
NOTE: Calculations are share of listed chemical entities, weighted by enrollments.

Selected Top Brands Vary in Utilization Management Restrictions, PDPs, 2010



NOTE: Calculations are share of all PDPs, weighted by enrollments.

Formulary Listings Vary in 2010 for Plans with Highest 2009 Enrollment Share of Chemical Entities

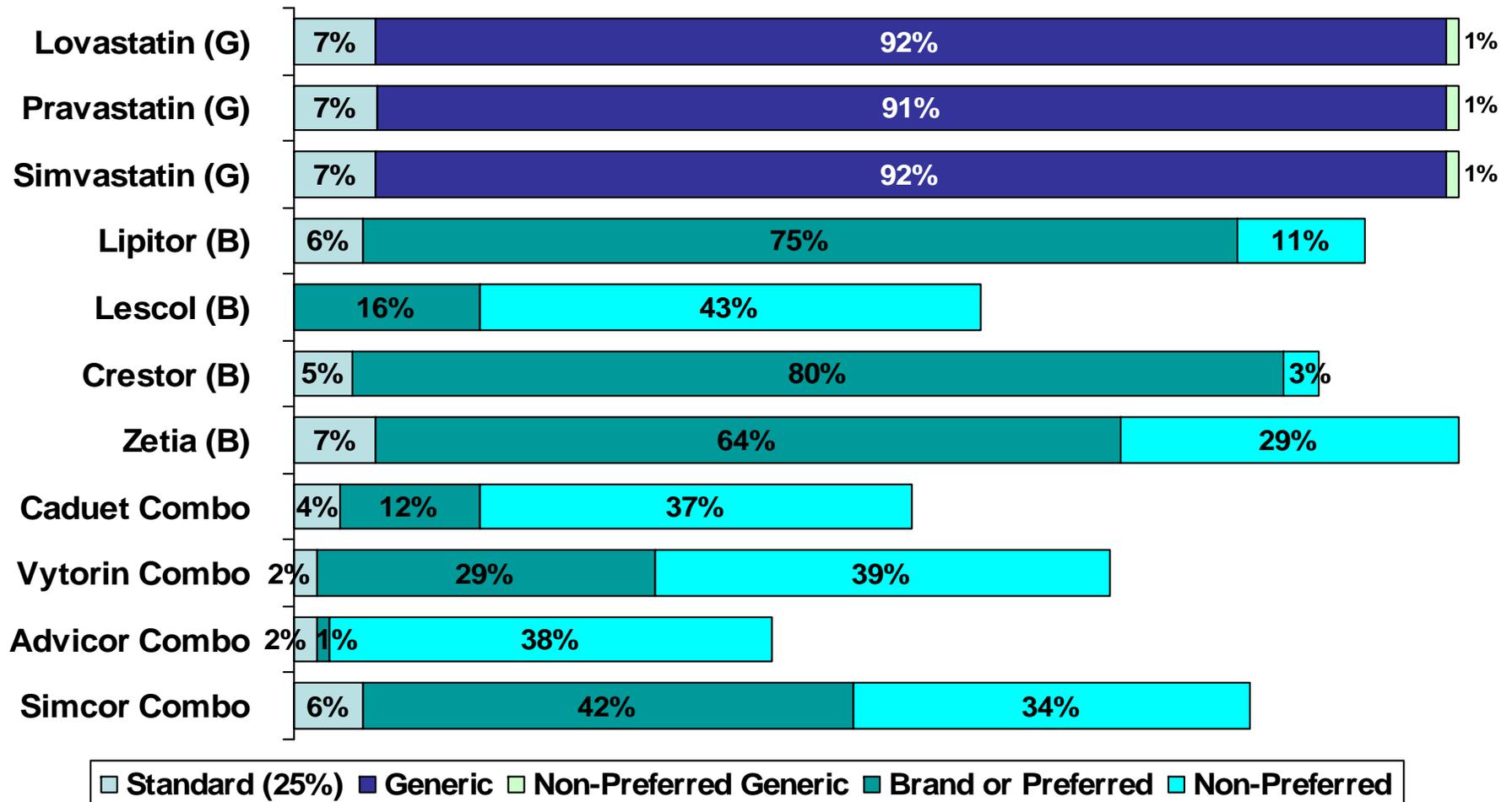


NOTE: Calculations are share of chemical entities. Totals may not add due to rounding. "Unrestricted" = placement on certain tiers (generic, brand, preferred brand) and absence of utilization management restrictions (prior authorization, step therapy, quantity limits).

Formulary Size Varies Based on Some Differences in Plan Types, 2010

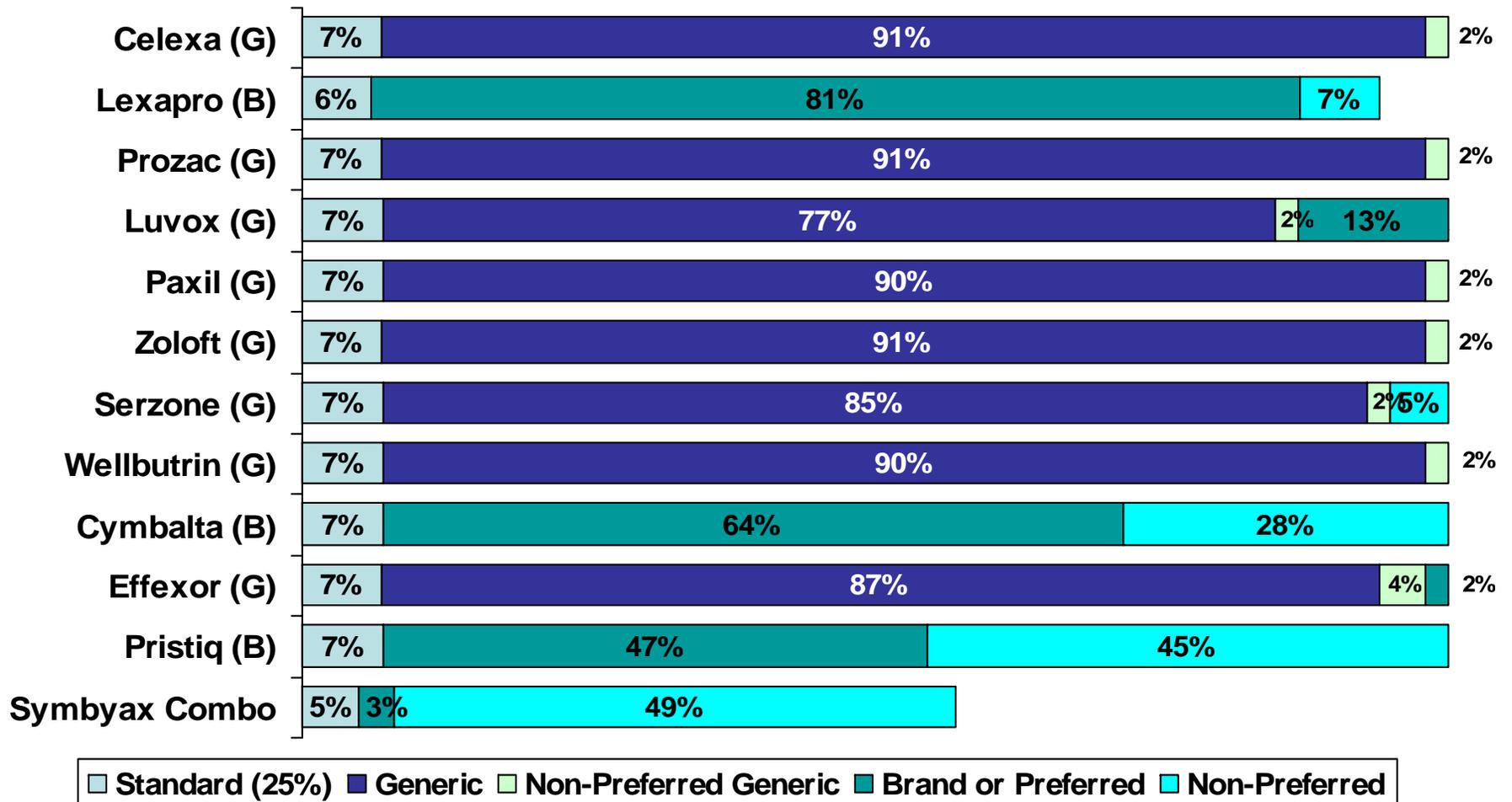
- PDPs offering enhanced benefits list *slightly fewer* drugs than basic-benefit PDPs
 - But may also offer some non-Part D drugs
- Local HMOs have modestly smaller formularies than PFFS plans or PPOs
- SNPs in general – especially those targeted at dual-eligible or institutionalized beneficiaries – list fewer drugs on formulary than other MA plans or PDPs

Cholesterol Drugs Vary in Tier and Formulary Status, PDPs, 2010



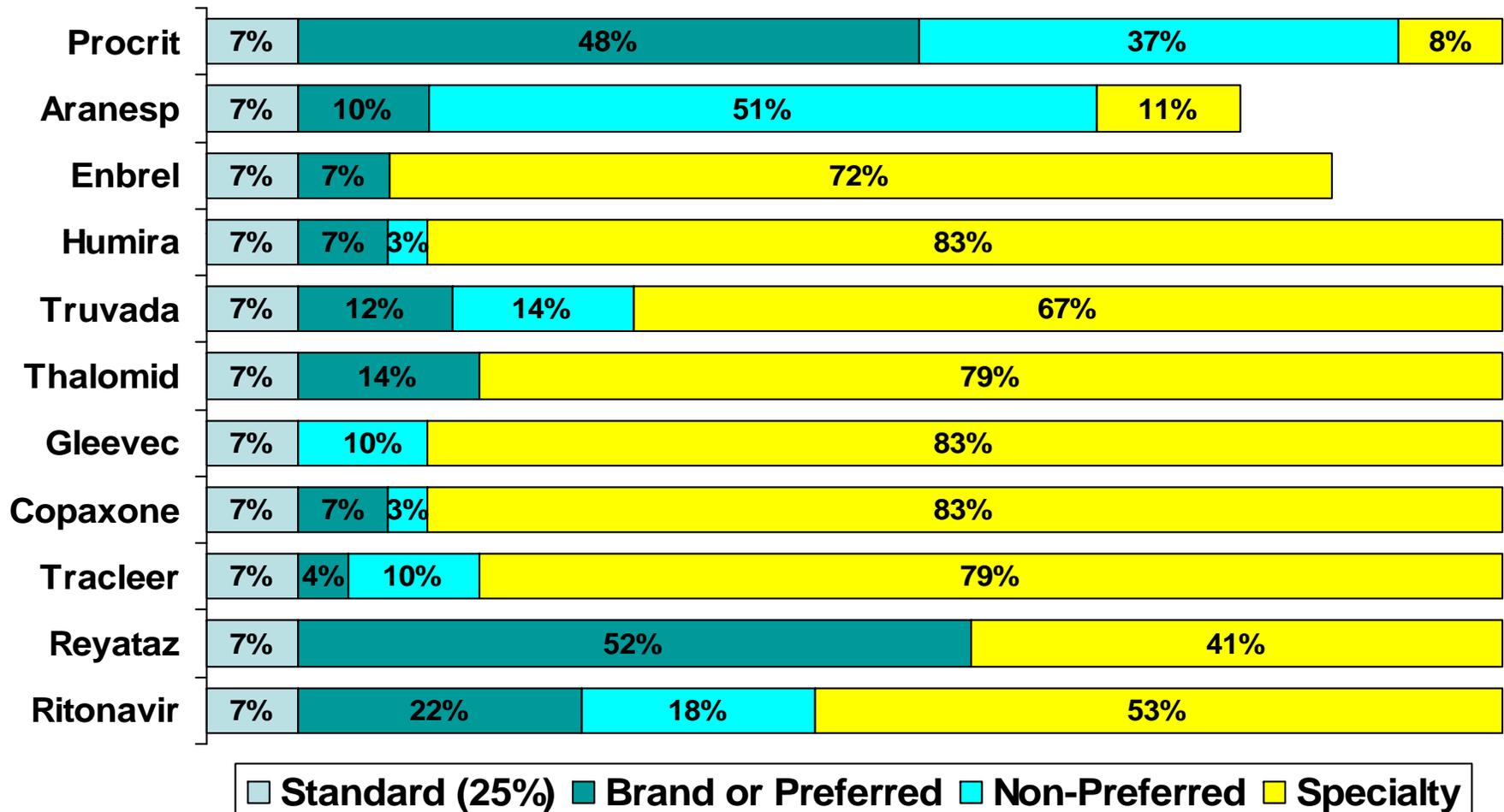
NOTE: Calculations are share of all PDPs, weighted by enrollments.

Most Antidepressants are on Formulary, But Vary in Tier Status, PDPs, 2010



NOTE: Calculations are share of all PDPs, weighted by enrollments.

Expensive Drugs Mostly, But Not Always, on Specialty Tiers, PDPs, 2010



NOTE: Calculations are share of all PDPs, weighted by enrollments.