



Advising the Congress on Medicare issues

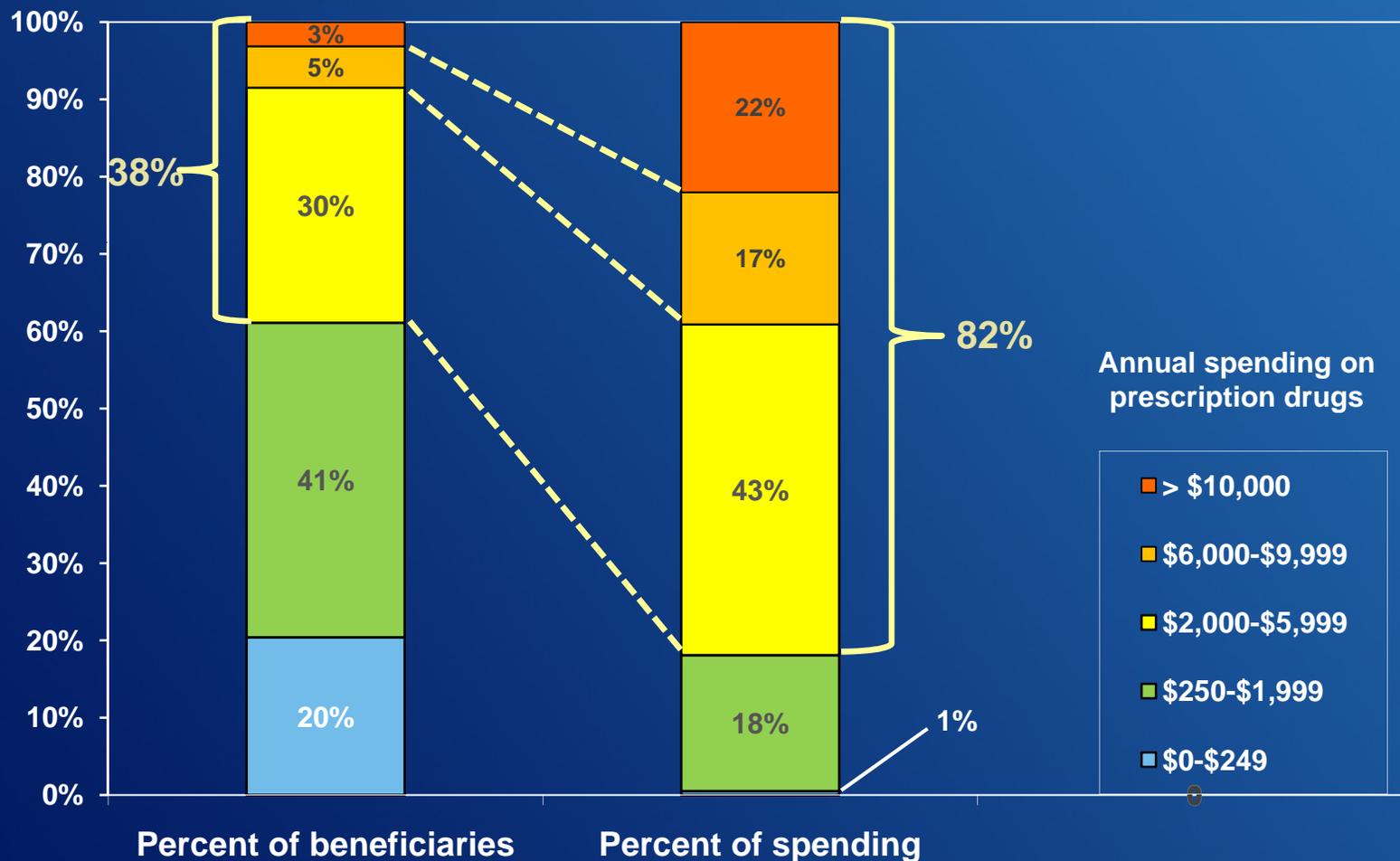
Comparing LIS and non-LIS beneficiary experience with Part D

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LIS and non-LIS beneficiary experiences with Part D

- Results of the analysis of Part D data
- Findings from recent focus groups

38 percent of Part D enrollees account for 82 percent of total drug spending



Beneficiaries with high drug spending are more likely to be disabled and receive LIS

	Annual drug spending		
	<u>< \$2,000</u>	<u>\$2,000 - \$6,000</u>	<u>> \$6,000</u>
Age			
< 65 (Disabled)	22%	20%	46%
65 – 69	23	19	13
70 – 74	19	18	12
75 – 80	15	17	11
80+	<u>22</u>	<u>27</u>	<u>18</u>
All	100	100	100
Low-income subsidy status			
LIS	34%	43%	76%
Non-LIS	66	57	24

Notes: Totals may not sum to 100 percent due to rounding.

Source: MedPAC analysis of 2007 Medicare Part D prescription drug event data and Part D denominator file from CMS.

LIS beneficiaries make up 38 percent of enrollment but more than half of total spending

	<u>Part D</u>	<u>LIS status</u>	
		<u>LIS</u>	<u>Non-LIS</u>
Beneficiaries (millions)	25.3	9.5	15.7
Total spending ¹ (billions)	\$62.2	\$32.9	\$29.3
Total number of prescriptions ² (millions)	1,146	461	685
Average spending per prescription	\$54	\$71	\$43

Per enrollee per month

Total spending ¹	\$212	\$300	\$156
Out-of-pocket spending	39	7	59
Plan liability	124	168	96
Low-income cost sharing subsidy	49	124	n.a.
Number of prescriptions ²	3.9	4.6	3.4

Notes: LIS (low-income subsidy), n.a. (not applicable). Number of beneficiaries based on enrollment as of July 2007.

1/ Total spending includes all payments made to pharmacies for ingredient costs, dispensing fees, and sales tax. 2/ Number of prescriptions standardized to a 30-day supply.

Source: MedPAC analysis of 2007 Medicare Part D prescription drug event data and denominator files from CMS.

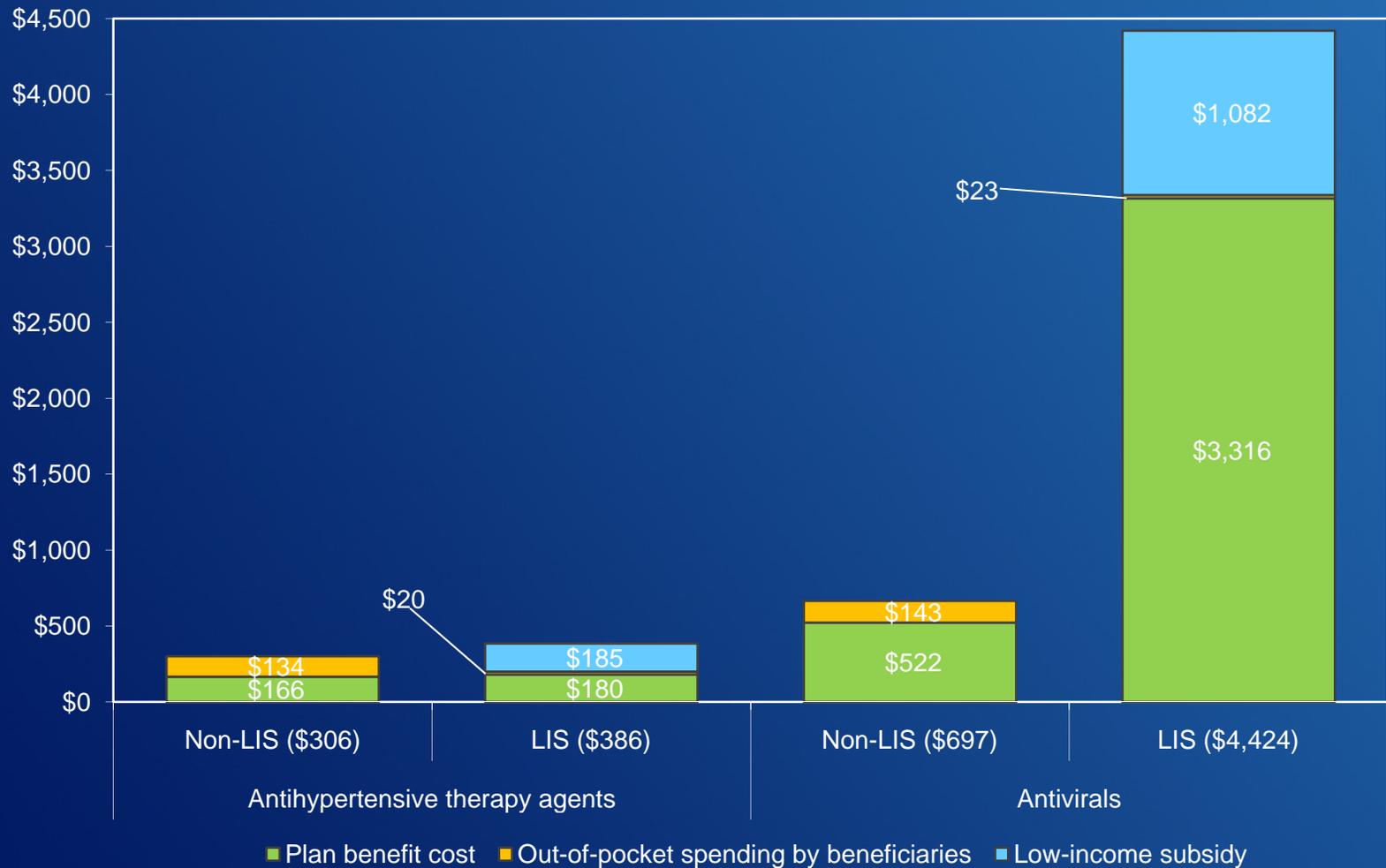
Generic dispensing rate for LIS enrollees are generally lower than non-LIS enrollees

Drug therapeutic class (By order of aggregate spending)	Spending		Generic dispensing rate	
	(billions)	(% of total)	LIS	Non-LIS
1. Antihyperlipidemics	\$6.0	9.7%	36%	49%
2. Antipsychotics	5.0	8.0	17	28
3. Peptic ulcer therapy	4.0	6.5	43	57
4. Diabetic therapy	4.0	4.0	60	74
5. Antihypertensive therapy agents	4.0	4.0	59	69
Top 15 classes	45.1	72.6	49	61
All therapeutic classes	62.2	100.0	58	67



Notes: LIS (low-income subsidy). Generic dispensing rate calculated using prescriptions standardized to a 30-day supply.
 Source: MedPAC analysis of 2007 Medicare Part D prescription drug event data from CMS.

Higher average spending and lower OOP costs for LIS enrollees but experience varied by drug class



Notes: OOP (out-of-pocket), LIS (low-income subsidy). Spending does not reflect retrospective rebates plans may receive from pharmaceutical manufacturers.

Source: MedPAC analysis of Medicare Part D prescription drug event data from CMS.

Potential reasons for the difference in the GDRs for LIS and non-LIS beneficiaries

- Availability of generics
- Financial incentives
- Plan benefit design

The majority with spending high enough to reach the coverage gap receive the LIS

- In 2007, 8.3 million had spending above the initial coverage limit
 - More than half (4.5 million) received the LIS
 - LIS enrollees not affected by coverage gap
 - Non-LIS enrollees affected by coverage gap unless enrolled in enhanced plans that provided gap coverage
- 2.3 million reach the catastrophic limit
 - Majority (1.9 million) received the LIS

Beneficiary experiences with Part D

- We conducted 12 beneficiary focus groups
 - 6 LIS groups
 - 6 non-LIS groups of beneficiaries who hit the coverage gap
- Groups were held in Baltimore, Chicago, and Seattle in July and August
- Participants had diverse backgrounds and included many disabled beneficiaries

Many LIS recipients had difficulty describing their enrollment status

- Some could not tell whether they were in an MA plan or PDP
- Many had medical and drug coverage stitched together through multiple programs
- Some reported medical conditions made it difficult to cope with plan communications

Switching plans

- Several LIS recipients reported receiving letters telling them their plan would be switched
- Most accepted the switch without looking into alternatives
- A few beneficiaries reported paying Part D premiums although they received LIS
- More reported switching because of plan contacts

LIS focus group participants reported few problems getting drugs after switching plans

- A few individuals reported delays because of prior authorization and other formulary management requirements
- Many of the reported delays resulted from formulary changes by existing plans
- Most cases were resolved satisfactorily

Focus group participants reported using many strategies to reduce costs in the coverage gap

- Most common
 - Ask physicians for samples
 - Switch to generics when available
 - Switch to cheaper drugs
- Also mentioned
 - Split pills
 - Take pills every other day
 - Purchase drugs from Canada
 - Stop taking some drugs

Summary

- Beneficiaries with higher annual spending are more likely to be disabled and receive LIS
- Generic dispensing rate for LIS enrollees is lower compared to non-LIS enrollees
- Non-LIS enrollees are less likely to have spending high enough to reach the coverage gap or catastrophic phase of the benefit

Summary (continued)

- Most non-LIS focus group participants with high drug use reported different strategies for dealing with drug costs in the coverage gap
- LIS focus group participants reported more frequent unsolicited contacts from agents than non-LIS beneficiaries