

Encouraging the use of lower-cost medications by beneficiaries receiving Part D's low-income subsidy

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Key points from the November presentation on LIS beneficiaries

- LIS enrollees tend to:
 - Fill more prescriptions and spend more per prescription than non-LIS enrollees
 - Use more brand-name drugs
- Restructuring LIS cost sharing could encourage beneficiaries to choose lower-cost drugs when available
 - Ensure access to needed medications
 - Take into account variations in plan formulary structures
 - Would not apply to dual-eligible beneficiaries residing in institutions

What affects the use of generic drugs?

- Health status and medication needs
- Physician prescribing behavior / pharmacy incentives
- Plan formulary design / beneficiary incentives

- State mandatory generic substitution laws?

Policy option

- Modify Part D copayment amounts specified in law for Medicare beneficiaries with incomes at or below 135 percent of poverty to further encourage the use of lower-cost medications when available in a given therapeutic class.
- Secretarial review of the therapeutic classes periodically to determine appropriate classification for implementing the policy.
- Current appeals/exceptions process should remain in effect to ensure access to needed medications.

Example of a change to LIS cost-sharing structure to encourage generic drug use

Drug class with generic substitute(s)	
Current LIS cost-sharing	
Generic drug	\$1.10
Preferred brand drug	\$3.30
Nonpreferred brand drug	\$3.30
Alternative LIS cost-sharing	
Generic drug*	\$0
Preferred brand drug	\$6
Nonpreferred brand drug	\$6 - \$10

*Plans with nonpreferred generic tiers may charge a higher cost-sharing for nonpreferred generics, up to the current cost-sharing amount.

No change in cost-sharing amounts for drugs in a class with no generic substitutes.