



Advising the Congress on Medicare issues

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

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Rationale for changing copays for LIS beneficiaries

- LIS enrollees tend to fill more prescriptions and spend more per prescription, and use more brand-name drugs compared to non-LIS enrollees
- Restructuring LIS cost sharing could encourage beneficiaries to choose lower-cost drugs when appropriate through:
 - Generic substitutions (a switch from a brand drug to the chemically equivalent generic drug), or
 - Therapeutic substitutions (a switch from a brand drug to the generic form of different drug* within the same therapeutic class)
- Generic or therapeutic substitutions to lower-cost drugs can result in a reduction in program spending and lower OOP costs and better adherence to medication therapy

Key features of the policy option

- Modify copays for LIS beneficiaries to further encourage the use of lower-cost medications when available in a given therapeutic class.
 - The policy could increase generic substitution and therapeutic substitution
 - The policy would not apply to classes with no generic substitutes
 - The policy would not apply to dual-eligibles residing in institutions
- Require the Secretary to determine appropriate classifications for the purpose of implementing this policy and to periodically review therapeutic classes.
 - Definition of drug classes could be broad or narrow depending on the clinical appropriateness of therapeutic substitution
 - Some drug classes may be excluded from the policy

Protections in place to ensure access to needed medications

- Provide broad authority and flexibility to the Secretary to determine appropriate therapeutic classifications
- Current exceptions/appeals process should remain in effect
- The same OOP limit will continue to apply (i.e., no cost sharing once spending exceeds the catastrophic threshold)

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 +

*The Secretary may allow some flexibility for plans with nonpreferred generic and/or brand tiers to charge higher cost-sharing for nonpreferred drugs.

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