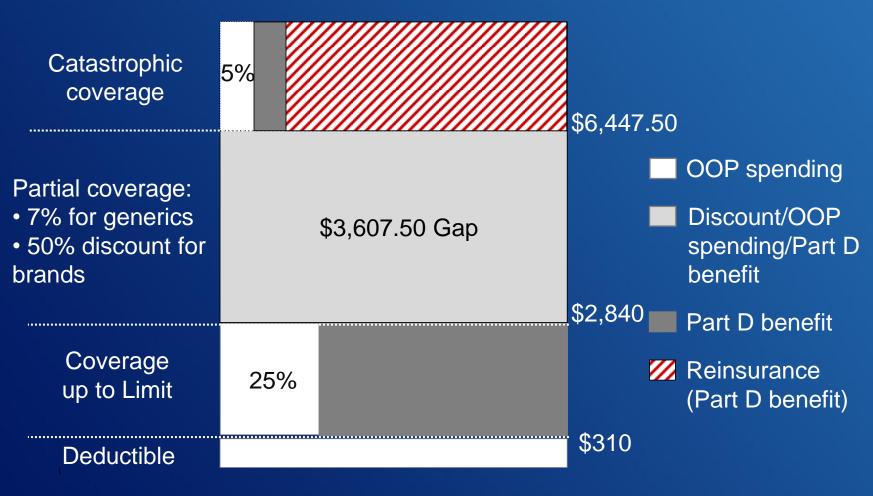


## Beneficiaries with high drug spending under Part D

Shinobu Suzuki and Joan Sokolovsky September 16, 2011



#### Part D benefit structure, 2011

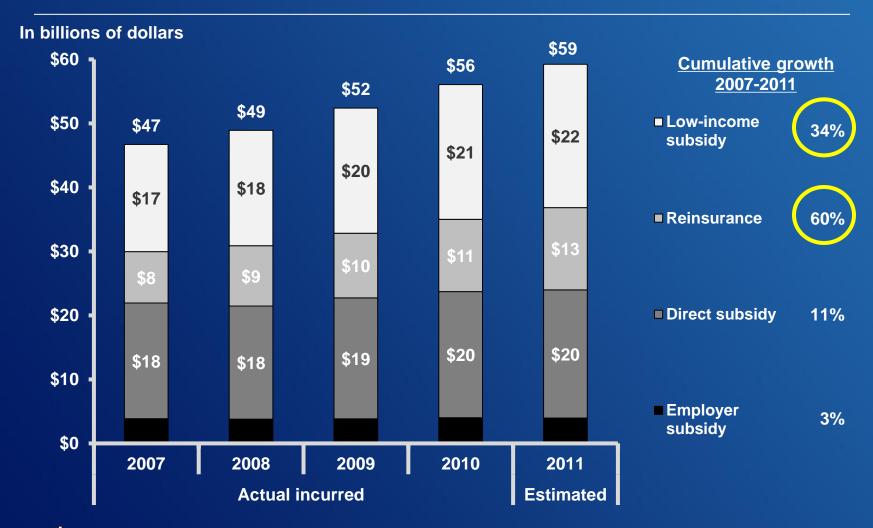




#### Medicare's payments to Part D plans

- Direct subsidy pays for Part D basic benefits based on the national average bid, adjusted for risk
- Reinsurance pays 80% of drug spending above the annual OOP threshold
- Low-income subsidy pays for expected cost sharing and premiums for enrollees who are eligible for the LIS

## LIS and reinsurance payments have grown much faster than direct subsidy payments





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

# Part D enrollees with spending above the OOP threshold, 2009

- 2.4 million (8%) had spending above the OOP threshold, and accounted for 40% of total spending
- Majority (83%) receive the low-income subsidy
- Compared to other Part D enrollees, the "high-cost" beneficiaries are more likely to be:
  - Enrolled in stand-alone PDPs
  - Institutionalized
  - Disabled (< 65)</li>

# High-cost beneficiaries take more drugs and spend more per prescription, 2009

#### DATA ARE PRELIMINARY AND SUBJECT TO CHANGE

	High-cost beneficiaries		Non-High-cost beneficiaries	
# of beneficiaries, millions	2.4	(8%)	26.3	(92%)
Aggregate utilization:				
Gross drug spending, billions	\$29.2	(40%)	\$44.6	(60%)
# of prescriptions, millions	264	(20%)	1,074	(80%)
Average # of prescriptions per beneficiary	111	)	41	)
Average spending per prescription	\$110	)	\$42	

# Biologics account for a small share of spending for high-cost beneficiaries, 2009

- Among high-cost beneficiaries, biologics filled by less than 10%:
  - 7.5% among LIS beneficiaries
  - 9.9% among non-LIS beneficiaries
- Biologics accounts for a small share of drugs used by high-cost beneficiaries:
  - Less than 1% of the prescriptions
  - About 6% of drug spending

# High-cost beneficiaries tend to use more brand-name drugs

#### DATA ARE PRELIMINARY AND SUBJECT TO CHANGE

% brand prescriptions by therapeutic classes	High-cost beneficiaries	Non-high-cost beneficiaries
Antipsychotics	75%	47%
Diabetic therapy	62%	33%
Peptic ulcer therapy	44%	25%
Antihyperlipidemics	58%	36%
Antidepressants	36%	19%
Antihypertensive therapy agents	38%	26%
Total, all therapeutic classes	42%	26%



### Summary of findings

- Majority of high-cost beneficiaries receive Part D's low-income subsidy
- High-cost beneficiaries tend to:
  - Fill more prescriptions and spend more per prescription
  - Use many drugs commonly used by other Part D enrollees
  - Use more brand-name drugs

#### Issues of concern

• Are some high-cost beneficiaries taking too many medications?

Why are high-cost beneficiaries filling more brand-name drugs compared to non—high-cost beneficiaries, even when generic alternatives are available?



#### Too many medications?

- Problems associated with high drug use
  - Adverse drug events, or ADEs (e.g., drug-drug interaction)
  - Inappropriate medications (e.g., antipsychotics used by elderly with dementia)
  - Nonadherence to medication therapy
- Need for more meaningful medication therapy management programs

# How can we encourage the use of generic drugs where appropriate?

- Structure LIS cost sharing to encourage beneficiaries to choose generic drugs when available
- Ensure access to needed medications:
  - Cost sharing amounts should not impose financial burden
  - Continue to allow beneficiaries to appeal costsharing tiers for medically necessary drugs through the exceptions process

#### Next steps

- Medication therapy management programs
- Incentives faced by beneficiaries receiving the low-income subsidy
- Report on additional analysis and policy options