

# 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

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- 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?

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- Health status and medication needs
- Physician prescribing behavior / pharmacy incentives
- Plan formulary design / beneficiary incentives
  
- State mandatory generic substitution laws?

# Policy option

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- 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)	
<b>Current LIS cost-sharing</b>	
Generic drug	\$1.10
Preferred brand drug	\$3.30
Nonpreferred brand drug	\$3.30
<b>Alternative LIS cost-sharing</b>	
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.**