



*Advising the Congress on Medicare issues*

# Beneficiary choice and decision-making

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# Importance of beneficiary perspectives

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- Policy contexts
  - Recommendation to reform the FFS benefit design
  - Competitively determined plan contributions
  - Synchronizing Medicare policy across payment models

# Outline of today's presentation

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- Analysis of plan switching under Part D
- Qualitative findings from focus groups
- Insights from the psychology and behavioral economics literature

# Plan switching under Part D

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- Part D enrollees make choices each year
  - Whether to switch their plan in response to changes in premiums and benefit designs
  - Willingness to switch creates incentives for plans to compete for enrollees
- Data
  - Two annual election periods: 2009-2010 and 2010-2011
  - Excludes enrollees receiving LIS and enrollees in employer group plans
- Voluntary switching
  - Focus on enrollees who chose to switch
  - Excludes enrollees who switched due to plan termination or service area reductions

# Part D enrollees who voluntarily switched plans, 2009-2011

| Segment of Part D enrollees  | 2009-2010    | 2010-2011    |
|------------------------------|--------------|--------------|
| <b>All non-LIS enrollees</b> | <b>13.6%</b> | <b>13.0%</b> |
| In PDPs before AEP           | 13           | 13           |
| Switch to different PDP      | 10           | 10           |
| Switch to MA-PD              | 2            | 3            |
| In MA-PD before AEP          | 15           | 13           |
| Switch to different MA-PD    | 13           | 12           |
| Switch to PDP                | 1            | 2            |

Note: PDP (prescription drug plan), AEP (annual election period), MA-PD (Medicare Advantage-Prescription Drug [plan]). The figures in the table excludes individuals enrolled in employer group plans, those enrolled in terminated plans or plans that experienced service area reductions. Final analytic data contained 14.6 million enrollees for the 2010 cohort and 15.1 million enrollees for the 2011 cohort. Totals may not sum due to rounding.

Source: MedPAC analysis of Medicare enrollment and Part D denominator files

# Annual drug utilization by switchers vs. non-switchers, 2009-2010

| PDP enrollees                  | Average annual drug utilization |        | Change    |
|--------------------------------|---------------------------------|--------|-----------|
|                                | 2009                            | 2010   | 2009-2010 |
| <b>Total drug spending</b>     |                                 |        |           |
| Voluntary switchers            | \$2015                          | \$2069 | \$53      |
| Non-switchers                  | \$2021                          | \$2060 | \$39      |
| <b>Number of prescriptions</b> |                                 |        |           |
| Voluntary switchers            | 45.7                            | 47.9   | 2.2       |
| Non-switchers                  | 46.2                            | 47.7   | 1.5       |
| <b>OOP drug spending</b>       |                                 |        |           |
| Voluntary switchers            | \$754                           | \$722  | -\$32     |
| Non-switchers                  | \$854                           | \$861  | \$7       |

Note: PDP (prescription drug plan), OOP (out-of-pocket). The figures in the table excludes individuals enrolled in employer group plans, those enrolled in terminated plans or plans that experienced service area reductions. Prescriptions standardized to a 30-day supply. Totals may not sum due to rounding.

Source: MedPAC analysis of Medicare enrollment and Part D denominator files

# Understanding beneficiary perspectives

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- Annual beneficiary and physician focus groups
- Periodic interviews with beneficiary counselors
- Beneficiary telephone survey on Part D implementation

# Beneficiary perspective: Part D at implementation

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- Questions asked
  - How did beneficiaries learn about the drug benefit?
  - How did they make their choice?
  - What factors affected their enrollment decisions?
- Findings
  - Goal is to save money on prescription drugs and avoid the late enrollment penalty
  - Look first at plan premiums
  - Then look for the coverage of specific drugs and how much they have to pay for them
  - Difficult to compare plans and calculate total cost



# Beneficiary perspective: Part D over time

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- Medicare population overall
  - More familiar with and comfortable using computers
  - More willing to discuss the cost of drugs with doctors
  - More accepting of use of generic drugs
- Experience in Part D
  - Familiar with the terms and what they mean
  - Want validation and reassurance about their choice
- New beneficiaries
  - Medicare program requires more choices than before
  - Unfamiliar with Medicare, not just Part D
  - Less likely to know about late enrollment penalty

# Beneficiary perspective: Counseling new beneficiaries

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- Interviewed SHIP counselors in 10 states (2012)
- Findings on what new beneficiaries need
  - Basics of how Medicare works
  - Especially on different options of Medicare coverage: MA vs. traditional FFS plus medigap
  - Transitioning from health insurance they had to Medicare (especially coordinating benefits with other sources of coverage)
  - Simpler and less, but appropriate, information from Medicare

# Beneficiary perspective: Continuing need for information

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- Experienced beneficiaries ask different questions
- New beneficiaries need basic program information
- All beneficiaries need continuing support from Medicare

# Insights from psychology and behavioral economics

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- Traditional economic model emphasizes rational decision-making
- Refinements of the model
  - Choice overload
  - Framing effects
  - Elderly decision-making

# Illustrative example: Choosing Medicare coverage

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- Options for Medicare coverage (including drug benefit) on Medicare.gov assuming:
  - New beneficiary from DC
  - Currently no prescription drugs
  - No extra help (e.g., no Part D LIS, no MSP)
  - No medigap
- 8 options available: traditional FFS and 7 MA plans
- MA plan premiums ranged from \$0 to \$113 per month

# Illustrative example: Comparing options for Medicare coverage

Compare 3 out of 8 options on Medicare plan finder

|                                     | Original Medicare | Kaiser Permanente Medicare Plus Std w/ Part D (AB) (cost)                    | MedStar Medicare Choice (HMO) |
|-------------------------------------|-------------------|--|-------------------------------|
| Overall Star rating                 | Not available     | 5 out of 5 stars<br>This plan got <b>Medicare's highest rating</b> (5 stars) | Plan too new to be measured   |
| Part B premium                      | \$104.90          | \$104.90   | \$104.90                      |
| Plan premium                        | \$ 0.00           | \$ 15.00   | \$ 0.00                       |
| Estimated costs on services         | \$171.00          | \$ 82.00   | \$113.00                      |
| Total monthly estimated costs       | \$275.90          | \$201.90   | \$217.90                      |
| <b>Total estimated annual costs</b> | <b>\$3310</b>     | <b>\$2420</b>  | <b>\$2610</b>                 |

# Conclusions

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- Some beneficiaries switch plans under Part D
  - Plan choices responsive to incentives
  - Issues different for LIS enrollees and auto-enrollment
- Beneficiaries need continuing support for their decision-making
- Literature informs what and how much information beneficiaries need